



## **DEPARTMENT OF DEFENSE**

### **Department of Defense Science and Technology Reinvention Laboratory (STRL) Personnel Demonstration (Demo) Project in the U.S. Army Research Institute for the Behavioral and Social Sciences (ARI)**

**AGENCY:** Under Secretary of Defense for Research and Engineering (USD(R&E)), Department of Defense (DoD).

**ACTION:** Personnel demonstration project notice.

**SUMMARY:** This Federal Register Notice (FRN) serves as notice of the adoption by the U.S. Army Research Institute for the Behavioral and Social Sciences (ARI) of the personnel demonstration project flexibilities implemented by the Combat Capabilities Development Command (CCDC) Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance, and Reconnaissance (C5ISR) Center (previously designated as the U.S. Army Communications–Electronics Research, Development and Engineering Center and the U.S. Army Communications–Electronics Command, Research, Development and Engineering), the CCDC Chemical Biological Center (CBC) (previously designated as the Edgewood Chemical Biological Center), and the CCDC Soldier Center (SC) (previously designated as the Natick Soldier Research, Development and Engineering Center). The majority of flexibilities and administrative procedures are adopted without changes. However, modifications were made when necessary to address ARI’s specific organizational, management structure, workforce, and approval needs and to conform to changes in applicable law and regulations after the publication of the adopted personnel demonstration project flexibilities. In addition, changes were made based on current law, best practices, and administrative guidance.

**DATES:** Implementation of this demonstration project will begin no earlier than [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:** Section 342(b) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1995, Public Law (Pub. L.) 103-337, as amended, authorizes the Secretary of Defense (SECDEF), through the USD(R&E), to conduct personnel demonstration projects at DoD laboratories designated as STRLs.

## **1. Background**

Since 1966, many studies of DoD laboratories have been conducted on laboratory quality and personnel. Most of these studies have recommended improvements in civilian personnel policy, organization, and management. Pursuant to the authority provided in section 342(b) of the NDAA for FY 1995, as amended, a number of DoD STRL personnel demonstration projects were approved. These projects are “generally similar in nature” to the Department of Navy’s “China Lake” Personnel Demonstration Project. The terminology, “generally similar in nature,” does not imply an emulation of various features, but rather implies a similar opportunity and authority to develop personnel flexibilities that significantly increase the decision authority of laboratory commanders and/or directors.

ARI conducted a thorough review of the personnel practices of existing DoD laboratories designated as STRLs and applicable laws, regulations, and guidance to identify potential flexibilities that would allow ARI to (1) improve effectiveness through a more flexible, responsive personnel system; (2) increase management authority over human resources management; (3) recruit, develop, motivate, and retain a high quality workforce; and (4) adjust workforce levels to meet strategic program and organizational needs.

This demonstration project involves:

- (1) New appointment authorities;
- (2) Extended probationary periods;

- (3) Supervisory probationary periods;
- (4) Pay banding;
- (5) Streamlined delegated examining;
- (6) Simplified job classification;
- (7) A pay-for-performance based appraisal system;
- (8) A sabbatical program;
- (9) Academic degree and certificate training;
- (10) A Volunteer Emeritus Corps; and
- (11) Senior Scientific Technical Manager (SSTM) positions.

The demonstration project also involves the use of numerous direct hire authorities, as appropriate and in accordance with guidance. Many aspects of a demonstration project are experimental. Modifications may be made from time to time as we gain experience, analyze results, and reach conclusions on how the system is working. The provisions of Department of Defense Instruction (“DoDI”) 1400.37, “Science and Technology Reinvention Laboratory (STRL) Personnel Demonstration Projects” (available at <https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodi/140037p.pdf>) (including subsequently issued or superseding instructions), will be followed to modify, supplement through adoption, or otherwise change this demonstration project plan.

## **2. Overview**

ARI intends to build its demonstration project using flexibilities adopted from existing STRL demonstration programs with significant overlap with the CCDC C5ISR, CCDC CBC, and CCDC SC.

As described in 73 FR 73248, December 2, 2008, flexibilities are defined as those features described in a STRL FRN; amendments thereto published in an FRN; minor changes made within the authorities of a demonstration project plan, documented in laboratory internal

issuances and disseminated to employees; and official laboratory implementing issuances that have been distributed.

### **3. Access to Flexibilities for Other STRLs**

Flexibilities published in this FR will be available for use by all STRLs listed enumerated in section 1105(a) of Pub. L. 111–84, as amended, in accordance with DoDI 1400.37 (including revised or superseded instructions) and after the fulfillment of any collective bargaining obligations.

### **4. Summary of Comments**

Thirteen commenters provided comments and questions regarding the ARI Personnel Demonstration Project, Federal Register, 84 FR 64469, dated November 22, 2019. The following is a summary of these written questions by topical area and a response to each.

#### **(1) Pay Banding**

Comment: Five commenters expressed concern about allowing all positions to advance, “unconstrained,” to the top of a given pay band. One of the comments referenced language that was included in a draft version of the Federal Register Notice that was provided to the ARI workforce for review prior to publication. The language stated that, “Not all positions in a given pay band will be able to progress to the top of that band if the duties and responsibilities of the specific position do not warrant such a progression.” Another commenter recommended adopting a minor modification used by other laboratories to provide the STRL Director with the “authority to insert ‘control points’ for any identified position in any demo pay band and/or occupational family.” The commenter suggested that the control points would enable the Director to maintain cost discipline while “ensuring salary increases reflect appropriate levels of performance and/or responsibility.” Additionally, one commenter asked how control points would impact the midpoint and asked about the potential negative impact of control points on the demonstration performance system. Finally, one commenter questioned the use of linking the

top of each pay band the GS Step 10 pay level and not raising the pay caps above the GS Step 10 level.

Response: This Federal Register Notice is revised to provide the STRL Director with the ability to insert control points, consistent with the minor modification adopted by Combat Capabilities Development Command (CCDC) Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance, and Reconnaissance (C5ISR) Center, to maintain budget control and flexibility in using the pay banding system. The flexibility provides a tool for managing organization workforce structure and pay and will ensure employees are compensated commensurate with their duties and performance. The use of control points does not negatively impact the midpoint nor the demonstration performance system. The following are examples for use of control points. If an ARI employee in the DB-02 pay band (GS-05 to GS-11) is required to perform duties at the GS-07 equivalent level, and there is no organizational requirement for progressive duties and responsibilities in the career series beyond the GS-07 equivalent level, then the employee's salary would not progress beyond the appropriate equivalent level control point. If an ARI employee in the DE-03 pay band (GS-12 to GS-13) is required to perform duties at the GS-12 equivalent level, and ARI has an organizational requirement for progressive duties and responsibilities in the career series beyond the GS-12 equivalent level, then the employee's salary could progress to the appropriate equivalent level control point as performance requirements dictate.

The pay band structure in this personnel demonstration project was adopted from the U.S. Army Armament Research, Development, and Engineering Center (currently referred to as CCDC Armaments Center). The structure links the pay band's lower and upper limits to the GS pay scales. As the rates of the GS pay scale increase with annual general pay increases, the upper and lower base pay rates of the demonstration project's pay bands also will increase. This allows the laboratory to more effectively compensate high performance while also maintaining necessary cost controls.

## (2) Award Timeline

Comment: One comment was received concerning the timing or timeline for payout of awards.

Response: The post-implementation/regular rating period will be from 1 February to 31 January. However, the implementation/initial rating period may be shorter to allow for a paced and orderly transition from the current DPMAP evaluation system to the demonstration project pay for performance system. During the post-implementation/regular performance rating cycle, employees will submit their accomplishments by 31 January of the rating period. Raters will then conduct initial ratings and submit those ratings for review during reconciliation meetings conducted by the pay pool panel(s). Ratings will be finalized and personnel actions submitted for processing at the end of March. During April, employees and supervisors will participate in performance review discussions. Payouts would be effective in May, generally by the first pay period in the month.

## (3) Pay for Performance

Comment: Two comments addressed the use of time off awards as a part of the performance payout in lieu of cash bonus. A third comment addressed employees at the GS step 10 equivalent pay level.

Response: Initially, time off awards will not be used as a performance payout in the demonstration project but this may change as experience is gained. Time-off awards may still be awarded in accordance with the Army incentive awards program.

Employees at the top of the pay band (GS step 10 equivalent level) are eligible to receive a pay for performance payout equivalent to the combination of any base pay increase and bonus payout, in the form of a bonus ONLY.

## (4) Performance Management Board and Pay Pool Panel Membership

Comment: One commenter questioned whether or not ARI's Scientific and Professional (ST) position would be required to serve on the Performance Management Board (PMB) or Pay

Pool Panels in any capacity. A second commenter questioned how many individuals would be appointed to the PMB, how many ad hoc members would be appointed, what roles members perform, and whether there would be term limits. The same commenter asked about the full membership of the pay pool panel.

Response: Performance Management Board (PMB) and Pay Pool Panel members will be appointed by the Director, ARI, consistent with governing regulations and practices. To ensure confidence in a fair and equitable performance management process, appointments will be made in a manner that avoids conflicts of interest. There are no term limits or a fixed number of members for the PMB. The workforce will be informed of the PMB and Pay Pool Panel's composition prior to the start of a new rating cycle, and upon any mid-cycle change. Ad hoc PMB members are non-voting members and serve in an advisory role regarding functional or administrative matters impacting the performance management system.

#### (5) Personnel Requirements:

Comment: Two commenters asked what additional staffing requirements are required to implement the project.

Response: Currently one ARI employee is assigned responsibility for management of ARI's demonstration project. This employee is assisted by other ARI employees as needed. Staffing requirements may be adjusted over the course of the project as necessary.

#### (6) Details and Temporary Promotions

Comment: Two commenters asked multiple questions concerning details and temporary promotions. The series of comments and questions requested clarification on pay setting, travel, and pay for details and temporary promotions. Comments also addressed the ability to temporarily promote an employee to a different pay band.

Response: This Federal Register Notice has been revised to include additional provisions regarding details and temporary promotions. An employee may be detailed or temporarily promoted to a position in a pay band with a higher maximum salary. A base pay increase may be

granted for details and temporary promotions when the position significantly increases the complexity, responsibility, or authority of the employee's work, or for other compelling reasons. The PMB will establish guidelines regarding pay increases associated with details and temporary promotions. Details and temporary promotions may be determined by a competitive or a non-competitive process. The Federal Register Notice allows ARI, to the extent required, to extend the length of details and temporary promotions for a period up to two years. Existing laws and regulations pertaining to temporary duty status, travel, and tax requirements remain applicable. Eligibility for details or temporary promotions will be documented in ARI's internal operating procedures or business rules.

#### (7) Occupational Series and Occupational Families

Comment: One commenter questioned the occupational series included in the Engineering & Science (E&S) occupational family.

Response: ARI's current table of distribution and allowances has two occupational series that qualify for the E&S family. Therefore, only those two occupational series (psychologist and statisticians) were included. As noted in Appendix B, additional occupational series may be added in the future, as needed, to support mission requirements.

#### (8) Classification

Comment: One commenter asked about the appropriate level of delegated classification authority and necessary qualifications. They also asked how individuals with delegated classification authority will interact with the Director.

Response: Classification authority will be delegated to the ARI Director, but it is not anticipated that classification authority will be further delegated in the near-term. Unless otherwise delegated, ARI will rely on classification specialists at the Civilian Human Resources Agency (or other supporting human resources entity) to perform classification functions. Any delegated authority will require demonstrated competence in the technical principles, policies, and standards for classifying positions based on the duties and responsibilities assigned and the

qualifications required to do the work. Any individual with delegated classification authority will be required to complete training prior to any classification activities and will be responsible to the Director.

#### (9) Pay Pools Compositions

Comment: One commenter asked for more specificity on the composition of the pay pool panels in the Federal Register Notice. Two commenters discussed the size of ARI and suggested that the pay pool panels would be too small to allow for a fair and equitable system.

Response: As noted in the initial Federal Register Notice (page 64471, section G, paragraph 2), the Performance Management Board will determine the composition of the pay-for-performance pay pools in accordance with the guidelines of the IOP (Internal Operating Procedures). Additionally, the names of the pay pool manager and pay pool members will be published prior to each new performance rating period. When necessary, changes to pay pools may be made based on organizational structure, the number of employees and their occupational composition, work levels and work categories, and the size and manageability of pay pools.

Pay pools will generally be between 25 and 75 employees; however, smaller or larger pay pools may be appropriate where organization and mission dictate.

#### (10) Significant Accomplishment Rule

Comment: Two comments were related to the significant accomplishment rule. One comment requested that the rule be eliminated and a second suggested that non-E&S employees would not fare well under the system due, for example, to the Significant Accomplishment/Contribution Rule.

Response: The significant accomplishment rule is designed to ensure a high level of performance to advance within the high end of the pay band for E&S occupations in the DB-03 band given the number of employees assigned to that particular pay band. Consistent with other labs utilizing the significant accomplishment rule, it will be appropriately used to maintain pay-for-performance cost/pay discipline within the pay band. The rule prevents DB-03 employees

from progressing to the highest salary in the band without performing at increased levels of performance or responsibility. The rule does not apply to non-E&S employees.

#### (11) Grievances

Comment: One commenter suggested, “It was previously agreed that a grievance would be to someone above the Director” and wanted to know why that was not included in the notice.

Response: Grievances filed by individuals who are not rated by the Director will be acted on by the Director because the Director is not involved in the rating of those employees.

Grievances filed by individuals who are rated by the Director will be acted on by a higher authority. For bargaining unit employees, the negotiated grievance procedure (NGP) will be followed.

#### (12) Direct Hires

Comment: One commenter asked why scientists and engineers were the only group listed for direct hire. The commenter noted that Business and Technical and General Support are equally as important and should be included in the direct hire.

Response: The designation of career series eligible for direct hire authority does not diminish the importance and value of each career series in the organization’s mission success. In this instance, use of the direct hire authority is limited to the flexibilities afforded by Congress in various National Defense Authorization Acts (NDAA). The direct hire authorities listed in the notice are those that STRLs are authorized by Congress to utilize; and are currently allowed for (1) candidates with advanced degrees to scientific and engineering positions; (2) candidates with bachelor's degrees to scientific and engineering positions; (3) veteran candidates to scientific, technical, engineering, and mathematics positions (STEM); and (4) student candidates enrolled in a program of instruction leading to a bachelors or advanced degree in a STEM discipline.

#### (13) Supervisory Probationary Periods and Performance Improvement Plans

Comment: One commenter asked for clarification on probationary periods for supervisors new to the government and performance improvement plans for supervisors.

Response: Supervisors new to the government must complete a three-year new employee probationary period. Supervisors who have previously completed a new employee probationary period in a government position must complete a two-year supervisory probationary period as a supervisor. Supervisors, as with any employee, can be placed on a performance improvement plan when appropriate, to include during the probationary period.

#### (14) Demotions to a Lower Pay Band

Comment: One commenter suggested that demotions for reason other than cause should not be allowed and asked about recourse or grievance procedures employees might have.

Response: Demotions to a lower pay band are a necessary element of the pay-for-performance system. Demotions for reasons other than cause can occur due to erosion of duties, reclassification of duties to a lower pay band, an employee's request, or for other reasons to preserve equity in pay and/or job requirements. Employees retain the ability to request reconsideration and/or file an appeal with the U.S. Merit Systems Protection Board. Employees will be provided notice and an opportunity to respond prior to such action being taken.

Identical or nearly identical provisions are found in other Federal Register Notices, including (organizations as designated in the original Federal Register Notice): Tank Automotive Research, Development and Engineering Center (76 FR 12508); Communications-Electronics Research, Development, and Engineering Center (66 FR 54872); Edgewood Chemical Biological Center (74 FR 68936); Natick Soldier Research, Development and Engineering Center (74 FR 68448); Army Research Laboratory (63 FR 10680), and non-Army laboratories such as: Naval Air System Command, Naval Air Warfare Center, Aircraft Division (76 FR 8530), and Naval Air Warfare Center, Weapons Division (76 FR 8529). These same flexibilities have been utilized in multiple laboratories without issue and are another tool the Director could utilize as the situation and organizational requirements merit.

#### (15) Exceptions to Competitive Procedures for Assignment to a Position

Comment: One commenter questioned whether or not one of the exceptions to competitive assignment procedures, promotion due to the reclassification of a position based on accretion of duties, could be used to circumvent competitive hiring.

Response: Permitting exceptions to competitive procedures for assignment to a higher position within a pay band aligns with ARI's workforce and organizational structure. Most positions in ARI have a natural progression. For example, a majority of the research personnel are in the DB-03 pay band and perform similar work. Those at the high end of the band who perform more complex work requiring high levels of expertise or who have substantively greater workload move toward the top of their band as their performance dictates. Generally, movement to a vacant position in a pay band would require use of competitive procedures. The same is true of a promotion from one pay band to another. However, there may be situations where accretion of duties resulting from new requirements may be appropriate for newly reclassified positions. In those instances, the Director must have the ability to take appropriate action.

#### (16) Evaluation

Comment: Three commenters asked questions about the STRL evaluation requirement concerning who will gather evaluation data, how the unit climate and professional work environment will be assessed, and whether the results will be shared with the workforce?

Response: ARI will evaluate the project within five years of implementation of the project in accordance with Chapter 47 of 5 U.S.C. Data will be collected internally and externally based on standards and guidelines currently being developed by the USD(R&E). Additionally, ARI will collect climate survey data throughout the life of the project. Results of evaluation data will be provided to the USD(R&E) and the ARI workforce, as appropriate.

#### (17) Performance Elements

Comment: One commenter recommended removing training from the technical rigor performance element and recommended making unspecified changes to the Driving Organization Results element.

Response: Technical rigor is a critical element required for high-performing organizations. A high level of technical rigor in individual performance is critical to achieving many of the goals of the demonstration performance project outlined in section II (C). Those goals include: increased quality of the workforce, and resultant research products and outcomes; more effective, efficient, and adaptable organizational systems required to respond to Army needs; increased retention of excellent performers; and increased workforce satisfaction with the personnel management system. Additionally, it is important to retain training as a legitimate component of the technical rigor element in developing and advancing the technical competence of employees and the organization at large.

ARI will conduct a data-driven review of the performance elements after implementation. The PMB will review the performance elements annually and make any necessary changes prior to the start of a new rating period; and as stated in the FRN, performance elements may evolve over time to ensure individual and organizational success.

#### (18) Performance Management System and Supervisor Ratings

Comment: One commenter made a positive statement about the performance management system but noted that the system would not work any better than TAPES or DPMAP if supervisors fail to accurately evaluate performance. Another commenter questioned the objectivity of the performance system. Another commenter suggested that a summary of accomplishments, provided by the employee, should not be mandatory. One commenter asked if midterm reviews were formal, documented reviews.

Response: Supervisors will receive training on the performance management system and rating processes to support an accurate evaluation of performance. Additionally, the performance management system's use of benchmark performance criteria establishes a common set of standards for evaluating performance and assigning ratings. The benchmark performance criteria will be published annually and whenever changes are made. Finally, the use of a pay pool panel and reconciliation process provides additional objectivity to the evaluation process.

Midterm reviews are mandatory documented reviews. The midterm reviews are not meant to be time-consuming, but are intended to be productive performance meetings used to address any concerns the employee or supervisor might have prior to the end of the rating period.

To support the rating process, employees are encouraged, but not required, to provide input on their accomplishments during the performance period. Employee input allows the employee to describe their accomplishments and any unique circumstances regarding their performance. Employee input should provide the rater and pay pool panel with a clear, concise, and accurate picture of their performance during the rating cycle. Ratings for employees who do not provide input on their accomplishments will be based on the supervisor's observations of employee performance.

#### (19) Internal Operating Procedures (IOP)

Comment: One commenter asked when the IOP would be available for employees.

Response: Once the final Federal Register Notice is published, and before implementation of the demonstration project, the IOP will be distributed to the workforce.

#### (20) Mid-point Rule

Comment: Two commenters asked about the mid-point rule and whether the initial score of 30 would need to be changed.

Response: The purpose of the mid-point rule is to help provide cost discipline to the personnel system. The mid-point rule stipulates that an employee must receive a performance score of 30 or higher for his/her base pay to cross the mid-point of the pay band. The performance score of 30 also has been established as the initial, minimum score to be eligible for promotion opportunities.

With respect to the mid-point rule, setting a performance score too high or low can have a negative impact on the workforce and the laboratory. A score of 30 has been established initially for the mid-point rule because it represents successful performance and is comparable to what other laboratories have used. However, future assessments of the personnel demonstration

project may indicate a different performance evaluation score is more appropriate for applying the mid-point rule within ARI. For example, if it is determined that the performance evaluation system consistently results in performance ratings that are lower than anticipated across the laboratory, then it may be necessary to establish a lower performance score for applying the mid-point rule. This would ensure the laboratory maintains a system that allows some employees to advance beyond the mid-point of the pay band or to be eligible for promotion opportunities. Conversely, if the score used to apply the midpoint rule is too low relative to the typical evaluation score received by employees, then it will be difficult for the laboratory to maintain appropriate cost controls. Having the ability to adjust the minimum score associated with the mid-point rule will allow the PMB to achieve the goals of providing appropriate payment and promotion opportunities for employees, increasing laboratory performance, and providing cost discipline to the system.

#### (21) Additional Comments

Comment: One commenter recommended a minor word change from “Center” to “laboratory.” The change was appropriate and was made in the notice. Another commenter asked if employees would be queried during exit interviews.

Response: While not a part of the demonstration project, the Director has used exit interviews to collect information to address organizational concerns. It is expected that the Director, to the extent possible, will continue to conduct exit interviews.

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## **I. Executive Summary**

ARI operates as a Field Activity of the Deputy Chief of Staff, G-1. As a Science and Technology (S&T) lab, ARI has the core mission of inventing for the future while maintaining an organizational culture of action in support of emerging Army needs. ARI's S&T program is focused on developing innovative measures and methods to optimize the Soldier lifecycle and talent management, developing theories and investigating new domains in the behavioral and social sciences, conducting scientific assessments, providing behavioral and social science advice to human resource authorities and informing human resource policies.

To sustain these unique capabilities, ARI must be able to hire, retain, and continuously motivate enthusiastic, innovative, and highly-educated scientists, supported by skilled business management and administrative professionals, as well as a skilled administrative and technical support staff.

The goal of the current project is to enhance the quality and professionalism of the ARI workforce through improvements in the efficiency and effectiveness of the human resource system. The project interventions will strive to achieve the best workforce for the ARI mission, adjust the workforce for change, and improve workforce satisfaction. This demonstration project extends the CCDC C5ISR/ CCDC CBC/ CCDC SC demonstration projects to ARI. The CCDC C5ISR/ CCDC CBC/ CCDC SC projects built on the concepts, and use much of the same language, as the demonstration projects developed by the CCDC Army Research Laboratory

(ARL) (previously designated as the ARL); the CCDC Aviation and Missile Center (previously designated as the Aviation and Missile Research, Development, and Engineering Center); the Navy's "China Lake;" as well as other laboratories designated as an STRL. The results of this project will be evaluated by ARI within five years of implementation.

## **II. Introduction**

### *A. Purpose*

The purpose of the project is to demonstrate that the effectiveness of DoD STRLs can be enhanced by expanding opportunities available to employees and by allowing greater managerial control over personnel functions through a more responsive and flexible personnel system. Federal laboratories need more efficient, cost effective, and timely processes and methods to acquire and retain a highly creative, productive, educated, and trained workforce. This project, in its entirety, attempts to improve employees' opportunities and provide managers, at the lowest practical level, the authority, control, and flexibility needed to achieve the highest quality organization and hold them accountable for the proper exercise of this authority within the framework of an improved personnel management system.

While many aspects of a demonstration project were once considered experimental, many have been implemented in various DoD laboratories for a number of years. Modifications have been made based on the implementation experience of other DoD laboratories, best practices, and formative evaluation efforts. Additional modifications may be needed from time to time as additional experience is gained during this specific implementation based on evaluations of how the system is working to meet the goals and objectives of the personnel demonstration project.

### *B. Problems with the Present System*

The current Civil Service GS system has existed in essentially the same form since the 1920s. Work is classified into one of fifteen overlapping pay ranges that correspond with the fifteen grades. Base pay is set at one of those fifteen grades and the ten interim steps within each grade. The Classification Act of 1949 rigidly defines types of work by occupational series

and grade, with very precise qualifications for each job. This system does not quickly or easily respond to new ways of designing work and changes in the work itself. In addition, the GS system makes it difficult for the DoD labs to recruit and retain the best and the brightest scientists.

The need to change the current hiring system is essential, as ARI must be able to recruit and retain professional scientific researchers, support staff, and other professionals and skilled technicians. ARI must be able to compete with the private sector for the best talent and be able to make job offers in a timely manner with the attendant bonuses and incentives to attract high-quality employees.

Finally, current limitations on training, retraining, and otherwise developing employees make it difficult to correct skill imbalances and to prepare current employees for new lines of research needed to meet the Army's changing missions and emerging technology requirements.

### *C. Changes Required/ Expected Benefits*

The primary benefit expected from this demonstration project is greater organizational effectiveness through increased employee satisfaction. The long-standing Department of the Navy "China Lake" and subsequent demonstration projects have produced impressive statistics on increased job satisfaction and quality of employees versus that for the Federal workforce in general. Similar results have been demonstrated in more recent STRL demonstration projects and other alternative personnel systems implemented in the DoD and other agencies.

This project will demonstrate that a human resource system tailored to the mission and needs of the ARI workforce will facilitate:

- (1) Increased quality in the workforce and resultant research products and outcomes,
- (2) More effective, efficient, and adaptable organizational systems required to respond to Army needs,
- (3) Increased timeliness of key personnel processes,
- (4) Increased retention of excellent performers,

- (5) Increased success in recruitment of personnel with critical skills,
- (6) Increased management authority and accountability,
- (7) Simpler and more effective human resources management process, and
- (8) Increased workforce satisfaction with the personnel management system.

#### *D. Participating Organizations*

ARI is comprised of the ARI Headquarters located at Fort Belvoir, Virginia, and ARI research, technical, and support personnel located at Fort Belvoir, with geographically dispersed research units located at key strategic locations at Fort Benning, Georgia; Fort Hood, Texas; and Fort Leavenworth, Kansas. ARI also has a small number of employees dispersed at other locations in small numbers required to meet Army needs and mission requirements. As in the past and as expected in the future, there may be modifications to organizational structure and locations based on changing needs.

#### *E. Participating Employees and Union Representation*

This demonstration project will cover approximately 113 ARI civilian employees under Title 5 U.S.C. in the occupations listed in Appendix B. Additional employees and other occupations may be added after implementation of the project. The project plan does not cover members of the Senior Executive Service (SES), Senior Level (SL), Scientific and Professional (ST) employees, Federal Wage System (FWS) employees, and employees presently covered by the Defense Civilian Intelligence Personnel System (DCIPS).

Department of the Army, Army Command centrally funded, local interns, and Pathways Program employees (hired prior to implementation of the project) will not be converted to the demonstration project until they reach their full performance level. Pathways employees will continue to follow the Defense Performance Management and Appraisal Program (DPMAP) until they have reached their full performance level and are transitioned to the STRL personnel system.

The American Federation of Government Employees (AFGE) Local 1920 represents a small percentage of ARI's workforce located at one research location. Those represented employees may or may not participate in the personnel demonstration project depending on negotiations with the Union, specific hiring actions, and other factors. Of those employees assigned to ARI, approximately seven percent are represented by a labor union.

#### *F. Project Design*

Upon notification of the initial authority granted by Congress designating ARI as an STRL, the ARI Director assigned an experienced and tenured leader within the organization to contact appropriate agencies to develop the project plan. Initial guidance was provided by the DoD, Defense Civilian Personnel Advisory Services (DCPAS) and HQDA, Office of the Assistant Chief of Staff, G-1, Civilian Personnel Staffing and Classification Division. As a result of those initial discussions, ARI conducted a comprehensive review of the personnel practices of existing DoD laboratories designated as STRLs. That review resulted in a detailed list of personnel flexibilities adopted by the various DoD laboratories. As a part of the initial review, the Laboratory Quality Enhancement Program (LQEP) – Personnel Subpanel was contacted. The LQEP – Personnel Subpanel (LQEP-P) consists of STRL/ Personnel Management Demonstration professionals and experts. LQEP-P members provided extensive advice and example materials for consideration. Detailed discussions with LQEP-P members focused on the capabilities provided by the various flexibilities employed, lessons learned and best practices, and implementation guidance. Concurrent to the review of existing flexibilities, a review of ARI's specific organizational personnel needs and requirements was conducted. Finally, a review of innovative personnel practices used outside of the federal government was conducted.

The initial set of existing flexibilities, with descriptions, waiver requirements, and expected benefits was briefed to ARI leadership and supervisors. Detailed discussion focused on how the proposed flexibility would help ARI accomplish its personnel management goals and how it would impact the workforce. The briefing and subsequent discussions resulted in a set of

flexibilities for further research and consideration that were aligned with ARI personnel management needs. Those flexibilities were then extensively researched and discussed with LQEP-P members to determine if the proposed flexibility would meet those needs and to determine the cost and benefit of implementing the specific flexibility. The LQEP-P members were invaluable in this process. This resulted in a subset of personnel demonstration flexibilities that were best matched to ARI personnel needs and requirements. A team of senior leaders reviewed the potential flexibilities and provided recommendations for further consideration.

This preparatory work resulted in a proposed IOP that fully described how the proposed personnel management program would be implemented in ARI. The IOP was reviewed by and discussed with senior managers and supervisors to determine if the proposed system would meet ARI needs and workforce expectations. Following these internal reviews, final changes were made to the IOP and the associated FRN.

#### *G. Personnel Management Board*

ARI will create a Personnel Management Board (PMB) to oversee and monitor the fair, equitable, and consistent implementation of the provisions of the demonstration project to include establishment of internal controls and accountability. Members of the board will be senior ARI managers/supervisors and independent contributors appointed by the ARI Director. As needed, ad hoc members (such as Human Resources representatives), will serve as advisory members to the board.

Based on guidance and consistent interaction with the ARI Director, the board will execute the following:

- (1) Carry out the guidance and procedures in all aspects of the personnel demonstration program in accordance with the direction given by the ARI Director.
- (2) Determine the composition of the pay-for-performance pay pools in accordance with the guidelines of the IOP;
- (3) Review operation of pay pools and provide guidance to pay pool managers;

- (4) Oversee disputes in pay pool issues;
- (5) Formulate and execute the civilian pay budget;
- (6) Manage the awards pools;
- (7) Determine hiring and promotion base pay as well as exceptions to pay-for-performance base pay increases;
- (8) Conduct classification review and oversight, monitoring, and adjusting classification practices and deciding broad classification issues;
- (9) Approve major changes in position structure;
- (10) Address issues associated with multiple pay systems during the demonstration project;
- (11) Establish Standard Performance Elements and Benchmarks;
- (12) Assess the need for changes to demonstration project procedures and policies;
- (13) Review requests for Supervisory/ Team Leader Base Pay Adjustments and provide recommendations to the ARI Director;
- (14) Ensure in-house personnel budget discipline;
- (15) Develop policies and procedures for administering Developmental Opportunity Programs;
- (16) Ensure all employees are treated in a fair and equitable manner in accordance with all policies, regulations, and guidelines covering this demonstration project; and
- (17) Conduct a formative evaluation of the project.

In executing these duties and responsibilities, the board will keep in close contact and consultation with the ARI Director to ensure policies and procedures are executed consistently across the organization and aligned with the Director's guidance.

#### *H. Organizational Structure and Design*

To optimize the effectiveness and efficiency of ARI during the adoption of the new STRL personnel system, the ARI Director will review and realign the organization structure to best

meet mission needs and requirements. Realignment may include removing limitations in terms of supervisory ratios consistent with section 342(b) of the NDAA for FY 1995 as amended by section 1109 of the NDAA for FY 2000, and the alignment and organization of the workforce required to accomplish the mission of the STRL consistent with 10 U.S.C. 2358a.

The ARI Director will manage workforce strength, structure, positions, and compensation without regard to any limitation on appointments, positions, or funding in a manner consistent with the budget available in accordance with 10 U.S.C. 2358a.

### *I. Funding Levels*

The Under Secretary of Defense (Personnel & Readiness), may, at his/her discretion, adjust the minimum funding levels to take into account factors such as the Department's fiscal condition, guidance from the Office of Management and Budget, and equity in circumstances when funding is reduced or eliminated for GS pay raises or awards

## **III. Personnel System Changes**

### *A. Pay Banding*

The design of the ARI pay banding system takes advantage of the many reviews performed by DA and DoD. The design has the benefit of being preceded by exhaustive studies of pay banding systems currently practiced in the Federal sector, to include those practiced by the Navy's "China Lake" experiment and subsequent demo/ STRL demonstration projects. In addition, the pay plans, occupational families, pay bands, and general schedule equivalent grade structures for all the existing DoD laboratories were reviewed. ARI's pay banding system will replace the current GS structure. Currently, the fifteen grades of the GS are used to classify positions and, therefore, to set pay. The GS covers all white-collar work: administrative, technical, clerical and professional. Changes in this rigid structure are required to allow flexibility in hiring, developing, retaining, and motivating the workforce. The pay banding structure adopted by ARI's STRL is similar to the one employed by the U.S. Army Armament Research, Development, and Engineering Center as well as other DoD laboratories.

## 1. Occupational Families

Occupations with similar characteristics will be grouped together into one of three occupational families with pay band levels designed to facilitate pay progression. The naming structure and other occupational family features adopted for ARI's STRL are consistent with other Army laboratories implementing a similar system. Each occupational family will be composed of pay bands corresponding to recognized advancement and career progression expected within the occupations. These pay bands will replace individual grades and will not be the same for each occupational family. Each occupational family will be divided into three to six pay bands with each pay band covering the same pay range now covered by one or more GS grades. Employees track into an occupational family based on their current series as provided in Appendix B. The upper and lower pay rate for base pay of each pay band is defined by the GS rate for the grade and step as indicated in Figure 1 except for Pay Band VI of the Engineering & Scientist (E&S) occupational family. Comparison to the GS grades was used in setting the upper and lower base pay dollar limits of the pay band levels. However, once employees are moved into the demonstration project, GS grades will no longer apply. The current occupations have been examined, and their characteristics and distribution have served as guidelines in the development of the following three occupational families: Engineering and Science (E&S), Business & Technical (B&T), and General Support (GEN).

*Engineering and Science (E&S) (Pay Plan DB)*: This occupational family includes technical professional positions, such as psychologist and statisticians. Additional occupational series may be added in the future. Specific course work or educational degrees are required for these occupations. Six pay bands have been established for the E&S occupational family:

- (1) Band I is a student trainee track covering GS-1, step 1 through GS-4, step 10.
- (2) Band II is a developmental track covering GS-5, step 1 through GS-11, step 10.
- (3) Band III is a full-performance technical track covering GS-12, step 1 through GS-13, step 10.

(4) Band IV includes senior technical/ team leader positions covering GS–14, step 1 through GS–14, step 10.

(5) Band V includes supervisor/ manager/ senior technical positions covering GS–15, step 1 through GS–15, step 10.

(6) Band VI includes SSTM positions. The pay range is: Minimum base pay is 120 percent of the minimum base pay of GS–15; maximum base pay is Level IV of the Executive Schedule (EX–IV); and maximum adjusted base pay is Level III of the Executive Schedule (EX–III).

*Business & Technical (B&T) (Pay Plan DE)*: This occupational family includes such positions as procurement specialists, finance, accounting, management analysis, computer specialists, and quality assurance specialists. Employees in these positions may or may not require specific course work or educational degrees. Five pay bands have been established for the B&T occupational family:

(1) Band I is a student trainee track covering GS–1, step 1 through GS–4, step 10.

(2) Band II is a developmental track covering GS–5, step 1 through GS–11, step 10.

(3) Band III is a full performance track covering GS–12, step 1 through GS–13, step 10.

(4) Band IV includes first-level supervisors and senior technical personnel covering GS–14, step 1 through GS–14, step 10.

(5) Band V is a supervisor/ manager track covering GS–15, step 1 through GS–15, step 10.

*General Support (GEN) (Pay Plan DK)*: This occupational family is composed of positions for which specific course work or educational degrees are not required. Clerical work usually involves the processing and maintaining of records. Assistant work requires knowledge of methods and procedures within a specific administrative area. This family includes such

positions as secretaries, office automation clerks, and budget/ program/ computer assistants.

Three pay bands have been established for the GEN occupational family:

- (1) Band I includes entry-level positions covering GS–1, step 1 through GS–4, step 10.
- (2) Band II includes full-performance positions covering GS–5, step 1 through GS–8, step 10.
- (3) Band III includes senior technicians/ assistants/ secretaries covering GS–9 step 1 through GS-10, step 10.

## 2. Pay Band Design

The pay bands for the occupational families and how they relate to the current GS framework are shown in Figure 1.

FIGURE 1—PAY BAND CHART

	Equivalent GS grades					
	I	II	III	IV	V	VI
Engineering & Science (DB)	GS-01 to 04	GS-05 to 11	GS-12 & 13	GS-14	GS-15	Above GS-15
Business & Technical (DE)	GS-01 to 04	GS-05 to 11	GS-12 & 13	GS-14	GS-15	
General Support (DK)	GS-01 to 04	GS-05 to 08	GS-9 & 10			

Employees will be converted into the occupational family and pay band that corresponds to their GS series and grade. Each employee converted to the demonstration project is assured, upon conversion, an initial place in the system without loss of pay. However, exceptional qualifications or other compelling reasons based on specific criteria may lead to a higher entrance base pay within a band, commensurate with the employee's experience and qualifications. As the pay rates of the GS scale are increased due to the annual general pay increases, the upper and lower base pay rates of the pay bands will also increase. Since pay progression through the bands depends directly on performance, there will be no scheduled

Within-Grade Increases (WGIs) or Quality Step Increases (QSIs) for employees once the pay banding system is in place.

### 3. Pay Band VI

The pay banding plan expands the pay banding concept used at “China Lake” and other laboratories by creating Pay Band VI for the E&S occupational family. The band is designed for SSTM as authorized in 10 U.S.C. 2358a and described in 79 FR 43722. Pay Band VI will apply exclusively to positions designated as SSTMs.

The primary function of these positions is to engage in research and development in the physical, biological, medical, or engineering sciences, or another field closely related to the ARI mission and to carry out technical supervisory responsibilities.

As a part of the initial implementation of the STRL, the Director will review organizational and mission requirements to determine appropriate use of available SSTM positions and, if appropriate, will establish SSTM positions consistent with long-term organizational plans and limitations set forth by Congress (e.g., number of SSTM positions based on percent of workforce requirements). The pay range for SSTM positions is as follows: minimum base pay is 120 percent of the minimum base pay of GS–15, maximum rate of base pay is Level IV of the Executive Schedule (EX– IV), and maximum adjusted base pay is Level III of the Executive Schedule (EX– III). Adjusted base pay is base rate plus locality or supervisory pay differential as appropriate.

After full implementation of the STRL, newly vacant SSTM positions will be filled competitively. Panels will be created to assist in the review of candidates for SSTM positions. Panel members typically will be SES members, ST employees, and, after full implementation, those employees designated as SSTMs. In addition, General Officers and recognized technical experts from outside ARI may serve, as appropriate. The panel will apply criteria developed largely from the OPM Research Grade Evaluation Guide for positions exceeding the GS–15

level and other OPM guidance related to positions exceeding the GS–15 level. The purpose of the panel is to ensure impartiality and a rigorous and demanding review.

Consistent with 10 U.S.C. 2358a, the demonstration project will implement SSTM flexibilities described in 79 FR 43722.

## *B. Classification*

### 1. Occupational Series

The present GS classification system has over 400 occupational series, which are divided into 23 occupational groupings. ARI currently has positions in fewer than 20 occupational series. All positions listed in Appendix B will be in the classification structure. Provisions will be made for including other occupations in response to changing missions and agency requirements.

### 2. Classification Standards and Position Descriptions

If available, ARI will use a fully automated classification system modeled after the Navy’s “China Lake” and ARL’s automated systems. The Web-based automation tool is a fully integrated classification system that can create standardized, classified position descriptions under the new pay banding system. The present system of OPM classification standards will be used for the identification of proper series and occupational titles of positions within the demonstration project. Current OPM position classification standards, in some cases, will not be used to grade positions in this project. However, the grading criteria in those standards will be used as a framework to develop new and simplified standards for the purpose of pay band determinations. The objective is to record the essential criteria for each pay band within each occupational family by stating the characteristics of the work, the responsibilities of the position, and the competencies required. The classification standard for each pay band will serve as an important component to update existing position descriptions, which will include position-specific information, and provide data element information pertinent to the job. The computer-assisted process will produce information necessary for position descriptions. The new

descriptions will be easier to prepare, minimize the amount of writing time and make the position description a more useful and accurate tool for other personnel management functions.

Specialty work codes (narrative descriptions) will be used to further differentiate types of work and the competencies required for particular positions within an occupational family and pay band. Each code represents a specialization or type of work within the occupation.

### 3. Fair Labor Standards Act

Fair Labor Standards Act (FLSA) exemption and non-exemption determinations will be consistent with criteria found in 5 CFR part 551. All employees are covered by the FLSA unless they meet the criteria for exemption. The duties and responsibilities outlined in the classification standards for each pay band will be compared to the FLSA criteria. As a general rule, the FLSA status can be matched to occupational family and pay band as indicated in Figure 2. For example, positions classified in Pay Band I of the E&S occupational family are typically nonexempt, meaning they are covered by the overtime entitlements prescribed by the FLSA. An exception to this guideline includes supervisors/ managers whose primary duties meet the definitions outlined in the OPM GS Supervisory Guide. Therefore, supervisors/ managers in any of the pay bands who meet the foregoing criteria are exempt from the FLSA. The Director/ manager/ or supervisor with classification authority will make the determinations on a case-by-case basis by comparing assigned duties and responsibilities to the classification standards for each pay band and the 5 CFR part 551 FLSA criteria. Additionally, the advice and assistance of the servicing Civilian Personnel Advisory Center (CPAC) will be obtained in making determinations. The benchmark position descriptions will not be the sole basis for the determination. Basis for exemption will be documented and attached to each position description. Exemption criteria will be narrowly construed and applied only to those employees who clearly meet the spirit of the exemption. Changes will be documented and provided to the CPAC.

FIGURE 2—FLSA STATUS

[Pay bands]

Occupational Family	I	II	III	IV	V	VI
E&S.....	N	N/E	E	E	E	E
B&T.....	N	N/E	E	E		
GEN.....	N	N	E			

N—Non-Exempt from FLSA; E—Exempt from FLSA.

N/E—Exemption status determined on a case-by-case basis.

**Note:** Although typical exemption status under the various pay bands is shown in the above table, actual FLSA exemption determinations are made on a case-by-case basis.

#### 4. Classification Authority

The ARI Director will have classification authority and may, in turn, delegate this authority to appropriate levels. Any individual with delegated classification authority must complete required training. Position descriptions will be developed to assist in exercising delegated position classification authority. Those leaders with classification authority will identify the occupational family, job series, functional code, specialty work code, pay band level, and other critical information. Personnel specialists will provide ongoing consultation and guidance to managers and supervisors throughout the classification process. These decisions will be documented in the position description.

#### 5. Classification Appeals

Classification appeals under this demonstration project will be processed using the following procedures: an employee may appeal the determination of occupational family, occupational series, position title, and pay band of his/ her position at any time. An employee must formally raise the area of concern to supervisors in the immediate chain of command, either verbally or in writing. If the employee is not satisfied with the supervisory response, he/

she may then appeal to the Personnel Management Board. A final appeal may be made to the DoD appellate level. Appeal decisions rendered by DoD will be final and binding on all administrative, certifying, payroll, disbursing, and accounting officials of the government. Classification appeals are not accepted on positions which exceed the equivalent of a GS-15 level. Time periods for cases processed under 5 CFR part 511 apply.

An employee may not appeal the accuracy of the position description, the demonstration project classification criteria, or the pay-setting criteria; the assignment of occupational series to the occupational family; the propriety of a pay schedule; or matters grievable under an administrative or negotiated grievance procedure, or an alternative dispute resolution procedure.

The evaluations of classification appeals under this demonstration project are based upon the demonstration project classification criteria. Prior to forwarding appeals to the decision authority, the servicing human resources entity will provide a recommendation and ensure that the case file includes copies of appropriate demonstration project criteria.

### *C. Pay for Performance*

#### *1. Overview*

The purpose of the pay-for-performance system is to provide an effective, efficient, and flexible method for assessing, compensating, and managing the ARI workforce. It is essential for the development of a highly productive workforce and to provide management at the lowest practical level, the authority, control, and flexibility needed to achieve a quality organization and meet mission requirements. The pay-for-performance system allows for greater employee involvement in the assessment process, strives to increase communication between supervisor and employee, promotes a clear accountability of performance, facilitates

employee career progression, and provides an understandable and rational basis for pay changes by linking pay and performance.

The pay-for-performance system uses annual performance payouts based on the employee's total performance score rather than within-grade increases, quality step increases, promotions from one grade to another where both grades are now in the same pay band (i.e., there are no within-band promotions), and performance awards. The standard rating period will be one year. The minimum rating period will be 120 days. Pay-for-performance payouts can be in the form of increases to base pay, cash bonuses and time off awards; the bonuses are not added to base pay but, rather, are given as a lump sum bonus. Other awards, such as Special Acts, will be retained separately from the pay-for-performance payouts.

The system will have the flexibility to be modified, if necessary, as more experience is gained under the project.

## 2. Performance Objectives

Performance objectives define a target level of activity, expressed as tangible, measurable objective statements against which actual achievement can be compared. These objectives will specifically identify what is expected of the employee during the rating period and will typically consist of three to ten results-oriented statements. Employees are encouraged to participate in developing their performance objectives with their supervisor at the beginning of the rating cycle. These are to be reflective of the employee's duties/ responsibilities and pay band along with the mission/ organizational goals and priorities. Objectives will be reviewed annually and revised upon changes in pay reflecting increased responsibilities commensurate with pay increases. Supervisors will make the final decision for approving their employee's performance objective. Use of generic one-size-fits-all objectives will be avoided, as performance objectives are meant to define an individual's specific responsibilities and expected accomplishments. While generic objectives will be avoided, objectives will be commensurate to the employees pay and employees at similar positions in the pay band are expected to have objectives of similar

complexity, responsibility, and/ or another defining characteristic. Thus, exemplar, baseline, objectives will be developed and provided to supervisors and employees to highlight appropriate performance requirements at various pay levels. These exemplars will be used to help define performance expectations commensurate to employee pay.

In contrast, performance elements as described in the next paragraph will identify generic performance characteristics, against which the accomplishment of objectives will be measured. As a part of this demonstration project, training focused on overall organizational objectives and the development of performance objectives will be held for both supervisors and employees. Performance objectives may be jointly modified, changed, or deleted as appropriate during the rating cycle. However, additional objectives may not be added within the last 120 days of the rating cycle, given the minimum period of performance. Changes initiated by employees must be approved by their supervisor. As a general rule, performance objectives should only be changed when the employee successfully meets or exceeds the original objectives or circumstances outside the employee's control prevent or hamper the accomplishment of the original objectives. It is also appropriate to change objectives when mission or workload shifts occur. Objectives will not be changed when an employee's lack of performance prevents or hinders successful performance.

### 3. Performance Elements

Performance elements define generic performance characteristics that will be used to evaluate the employee's success in accomplishing his/ her performance objectives. The use of generic characteristics for scoring purposes helps to ensure comparable scores are assigned while accommodating diverse individual objectives. This pay-for-performance system will utilize those performance elements provided in Appendix C; as adapted from the system of performance elements implemented at other DoD Labs designated as STRLs.

All elements are critical. A critical performance element is defined as an attribute of job performance that is of sufficient importance that performance below the minimally acceptable

level requires remedial action and may be the basis for removing an employee from his/ her position. Non-critical elements will not be used. Each of the performance elements will be assigned a weight, which reflects its importance in accomplishing an individual's performance objectives. A minimum weight (expressed as a percentage) is set for each performance element. The sum of the weights for all of the elements must equal 100.

A single set of performance elements will be used for evaluating the annual performance of all ARI personnel covered by this plan. This set of performance elements may evolve over time, based on experience gained during each rating cycle. This evolution is essential to capture the critical competencies that enable the workforce to meet individual and organizational performance objectives. The evolving nature of performance elements may be particularly necessary in an environment where mission requirements, technology, and work processes are changing at an increasingly rapid pace. Thus, the ARI Personnel Management Board will annually review the set of performance elements and set them for the entire organization before the beginning of the rating period. The following is an initial set of performance elements:

- (1) Technical Rigor
- (2) Interpersonal Effectiveness
- (3) Managing Time and Other Resources
- (4) Driving Organizational Success
- (5) Team Leadership
- (6) Supervision/ Leadership, and Equal Employment Opportunity (EEO).

All employees will be rated against the first four (Core) performance elements. Team Leadership is mandatory for team leaders (within this document "team leader" refers to non-supervisory team leaders as determined by the OPM GS Leader Grade Evaluation Guide).

Supervision/ Leadership, and Equal Employment Opportunity is mandatory for all managers/ supervisors. At the beginning of the rating period, pay pool managers will review the objectives

and weights assigned to employees within the pay pool, to verify consistency and appropriateness across the organization.

#### 4. Performance Feedback and Formal Ratings

The most effective means of communicating job requirements, performance goals, and desired results is person-to-person discussion between supervisors and employees. Employees and supervisors alike are expected to actively participate in these discussions to clarify expectations and identify potential obstacles to meeting performance goals. To the extent possible, employees should describe what they need from their supervisors to support goal accomplishment. The timing of performance feedback and discussions will vary based on the nature of work performed, but at a minimum will occur formally at the beginning, mid-point, and end of the rating period. If employees are unsure of their performance goals or quality at any time, they are encouraged to initiate discussions with their supervisor. In addition, supervisors will initiate discussions at the earliest possible sign of unacceptable performance or as needed to maintain successful performance. The supervisor and employee will discuss job performance and accomplishments in relation to the performance objectives and performance elements. At least two reviews, normally the mid-point review and annual review, will be documented as a formal progress review. More frequent informal task-specific discussions may be appropriate in certain circumstances. In cases where work is accomplished by a team, team discussions regarding goals and expectations may also be conducted as appropriate.

Employees will be requested to provide a summary of their accomplishments to their supervisor to highlight their most important performance outcomes, at both the mid-point and at the end of the rating period. Space limitations may be imposed in the performance management system to limit the length of the employee's self-summary of their accomplishments. The goal of employee self-reports is to highlight significant employee accomplishments rather than to describe job processes at a granular level of detail.

At the end of the rating period and following a review of the employee's accomplishments,

the supervisor will rate each performance element by assigning a score between 0 and 50.

Supervisors will use benchmark performance standards that describe the level of performance associated with a score. Benchmark standards ensure the employee's performance is accurately captured and ensures different supervisors apply a similar rating standard and scoring approach to their employees during the rating process. During the rating and point assignment process, the supervisor reflects on the specific objectives for each employee and rates the individual on each performance element using specific descriptors of performance related to the benchmark performance criteria. It should be noted these scores are not discussed with the employee or considered final until scores for all employees are reconciled and approved by the Pay Pool Manager. The element scores will then be multiplied by the element-weighting factor to determine the weighted score expressed to two decimal points. The weighted scores for each element will then be totaled to determine the employee's overall appraisal score and rounded to a whole number as follows: if the digit to the right of the decimal is between five and nine, it should be rounded to the next higher whole number; if the digit to the right of the decimal is between one and four, it should be dropped.

For each performance element, a total, unweighted score of 10 or above will result in a rating of acceptable. A total, unweighted score of 9 or below, or an unweighted score of 9 or below in a single performance element, will result in a rating of unacceptable. An unacceptable rating requires action to be taken by management to address deficient performance in accordance with Section 5 below.

## 5. Unacceptable Performance

Formal corrective action, to include placing an employee on a PIP, may be taken at any time during the rating cycle and must be taken following an unacceptable rating. Whenever a supervisor recognizes an employee's performance on one or more performance elements is unacceptable, the supervisor will immediately inform the employee. Efforts will be made to

identify the possible reasons for the unacceptable performance. An employee who is on a PIP is not eligible to receive the general pay increase.

If an employee performs at an unacceptable level or has received an unacceptable rating, and the supervisor chooses to initiate a PIP, the following steps will be followed. The supervisor will identify the items/ actions that need to be corrected or improved, outline required time frames (generally 30 days) for such improvement, and provide the employee with available assistance as appropriate. Progress will be monitored during the PIP, and all counseling/feedback sessions will be documented.

If the employee's performance is acceptable at the conclusion of the PIP, no further action is necessary. If a PIP ends prior to the end of the annual performance cycle and the employee's performance improves to, and remains at, an acceptable level, the employee is appraised at the end of the annual performance cycle. If the employee's performance deteriorates to an unacceptable level in any element within two years from the beginning of a PIP, follow-on actions may be initiated with no additional opportunity to improve. If an employee's performance is at an acceptable level for two years from the beginning of the PIP, and performance once again declines to an unacceptable level, the employee will be given an additional opportunity to improve before management proposes follow-on actions.

If the employee fails to improve at the conclusion of the PIP, the employee will be given notice of proposed appropriate action. This action can include removal from the Federal service, placement in a lower pay band or grade level with a corresponding reduction in pay (demotion), reduction in pay within the same pay band, or change in position or occupational family. In many situations, employees with an unacceptable rating will not be permitted to remain at their current pay and may be reduced in pay band.

Reductions in base pay within the same pay band or changes to a lower pay band will be accomplished with a minimum of a five-percent decrease in an employee's base pay.

NOTE: Nothing in this subsection will preclude action under 5 U.S.C. chapter 75 [Adverse Actions], when appropriate.

All relevant documentation concerning a reduction in pay or removal based on unacceptable performance will be preserved and made available for review by the affected employee or a designated representative. At a minimum, the record will consist of a copy of the notice of proposed personnel action, the employee's written reply, if provided, or a summary when the employee makes an oral reply. Additionally, the record will contain the written notice of decision and the reasons therefore along with any supporting material (including documentation regarding the opportunity afforded the employee to demonstrate improved performance).

## 6. Reconciliation Process

Following the initial scoring of each employee by the supervisor, a panel of rating officials and supervisors will meet in a structured review and reconciliation process panel managed by the Pay Pool Manager. In this step, each employee's performance objectives, accomplishments, preliminary scores, and pay are compared. Through discussion and consensus building, consistent and equitable ratings are reached. There will not be a prescribed distribution of total scores. The Pay Pool Manager will chair a final review with the rating officials/ supervisors to validate these ratings and resolve any remaining scoring issues. If consensus on scoring cannot be reached for one or more employees in this process, the Pay Pool Manager makes all final decisions. IOPs will provide details on this process to employees and supervisors.

Given the unique organizational structure of ARI, the reconciliation process of employees who report directly to the ARI Director may be different from the procedures described above. In those cases, the ARI Director will review and resolve all ratings as pay pool manager for those direct reports. Should the organization's structure change to allow for a pay pool process comparable to the one previously described, the procedures for the ARI Director's direct reports are likely to change to incorporate pay pool panel participation and reconciliation.

After the reconciliation process is complete, scores are finalized. Payouts proceed according to each employee's final score and adjusted base pay. Information pertaining to the reconciliation process will be made available to all employees.

## 7. Pay Pools

ARI will have one or more pay pools, and each ARI employee will be placed into one of these pools. Pay pools are combinations of organizational elements that are defined for the purpose of determining performance payouts under the pay-for-performance system. The next paragraph provides the guidelines for determining pay pools. These guidelines will normally be followed, but deviations may occur if there is a compelling need. The rationale for any deviations will be documented in writing, and final procedures will be published prior to start of the rating period.

The ARI Director will establish pay pools. A pay pool should be large enough to encompass a reasonable distribution of ratings but not so large as to compromise rating consistency. Supervisory personnel will be placed in a pay pool separate from subordinate non-supervisory personnel. Neither the Pay Pool Manager nor supervisors within a pay pool will recommend or set their own individual pay. Decisions regarding the amount of the performance payout are based on the established formal payout calculations.

Funds within a pay pool available for performance payouts are calculated from anticipated pay increases under the existing system and divided into two components, base pay and bonus. The funds within a pay pool used for base pay increases are those that would have been available from within-grade increases, quality step increases, and promotions. This amount will be defined based on historical data and will be set at no less than two percent of total adjusted base pay annually. The funds available to be used for bonus payouts are funded separately within the constraints of the organization's overall award budget. This amount will be defined based on historical data and at no less than one percent of total adjusted base pay annually. The

pay pool funding percentages are the same for all pay pools. The sum of these two factors is referred to as the pay pool percentage factor.

The ARI Personnel Management Board will annually review the pay pool funding and recommend adjustments to the ARI Director to ensure cost discipline over the life of the demonstration project. The ARI Director makes the final decision on pay pool funding.

#### 8. Performance Payout Determination

The performance payout an employee will receive is based on the total performance score from the pay for performance assessment process. An employee will receive a performance payout as a percentage of adjusted base pay. This percentage is based on the number of shares that equates to an employee's final appraisal score. Shares will be awarded on a continuum as follows:

Total Performance Score = Share
50 = 3
40 = 2
30 = 1
21 = 0.1
10 – 20 = 0
< = 9 = 0 (Performance Improvement Plan required).

Fractional shares will be awarded for scores that fall between these scores. For example, a score of 38 will equate to 1.8 shares, and a score of 44 will equate to 2.4 shares.

The value of a share cannot be exactly determined until the rating and reconciliation process is completed and scores for all employees are finalized. The share value is expressed as a percentage. The formula that computes the value of each share uses base pay rates and is based on (1) the sum of the base pay of all employees in the pay pool times the pay pool percentage factor, (2) the employee's base pay, (3) the number of shares awarded to each

employee in the pay pool, and (4) the total number of shares awarded in the pay pool. This formula assures that each employee within the pool receives a share amount equal to other employees in the same pool who are at the same rate of base pay and receive the same score. The formula is shown in Figure 3.

FIGURE 3—SHARE VALUE FORMULA

$$\text{Share value} = \frac{\text{Sum of base pay of employees in pool} * \text{pay pool percentage factor}}{\text{Sum of (base pay} * \text{shares earned) for each employee}}$$

An individual payout is calculated by first multiplying the shares earned by the share value and multiplying that product by base pay. An adjustment is then made to account for locality pay.

A pay pool manager is accountable for staying within pay pool limits. The pay pool manager makes the final decision on base pay increases and/ or bonuses to individuals based on rater recommendation, the final score, the pay pool funds available, and the employee's pay.

## 9. Base Pay Increases and Bonuses

The amount of money available for performance payouts is divided into two components: base pay increases and bonuses. The base pay and bonus funds are based on the pay pool funding formula established annually. Once the individual performance amounts have been determined, the next step is to determine what portion of each payout will be in the form of a base pay increase as opposed to a bonus payment. The payouts made to employees from the pay pool may be a mix of base pay and bonus as determined by the rules set forth in this FRN and IOPs, such that all the allocated funds are disbursed. To provide performance incentives while ensuring cost discipline, base pay increases may be limited or capped.

Certain employees will not be able to receive the projected base pay increase due to base pay caps. Base pay is capped when an employee reaches the maximum rate of base pay in an assigned pay band, when the mid-point rule applies (see below), when the Significant Accomplishment/ Contribution rule applies (see below), or otherwise subject to other salary

control point established by the STRL Director. Prior to implementing, modifying, or terminating any new control point, appropriate notice will be provided to the workforce. Also, for employees receiving retained rates above the applicable pay band maximum, the entire performance payout will be in the form of a bonus payment.

When capped, the payout an employee receives will be in the form of a bonus versus the combination of base pay and bonus. Bonuses are cash payments and are not part of the base pay for any purpose (*e.g.*, lump sum payments of annual leave on separation, life insurance, and retirement). The maximum base pay rate under this personnel demonstration project will be the unadjusted base pay rate of GS-15/step 10, except for employees in Pay Band VI of the E&S occupational family.

Based on pay pool operating procedures and business rules, the organization may re-allocate a portion (up to the maximum possible amount) of the unexpended base pay funds. This re-allocation will be determined by the Pay Pool Manager. Any dollar increase in an employee's projected base pay increase will be offset, dollar for dollar, by an accompanying reduction in the employee's projected bonus payment. Thus, the employee's total performance payout is unchanged. This re-allocation could be required for a number of reasons to include the use of re-allocation of to reduce extreme pay-for-performance gaps.

In addition, the pay pool manager may request approval from the PMB for use of an Extraordinary Achievement Recognition. Such recognition grants a base pay increase and/ or bonus to an employee that is higher than the one generated by the compensation formula for that employee. The funds available for an Extraordinary Achievement Recognition are separately funded within the constraints of the organization's budget. Extraordinary Achievement Recognition, if warranted, will be determined by the Review and Reconciliation Panel, and the pay pool manager will provide the request to the PMB who will make the final decision based on the merits and funds available.

## 10. Mid-Point Rule

To provide added performance incentives as an employee progresses through a pay band, a mid-point rule will be used to determine base pay increases. The mid-point rule dictates that any employee must receive a score of 30 or higher for his/ her base pay to cross the mid-point of the base pay range for his/ her pay band. Also, once an employee's base pay exceeds the mid-point, the employee must receive a score of 30 or higher to receive any additional base pay increases. Any amount of an employee's performance payout, not paid in the form of a base pay increase because of the mid-point rule, will be paid as a bonus. This rule effectively raises the standard of performance expected of an employee once the mid-point of a band is crossed. This applies to all employees in every occupational family and pay band. The performance rating of 30 is set as an initial value and may be changed by the PMB, as necessary, with a goal of continuously increasing employee and organizational performance.

## 11. Significant Accomplishment/ Contribution Rule

The purpose of this rule is to maintain cost discipline while ensuring that employee payouts are in consonance with accomplishments and levels of responsibility. The rule will apply only to employees in E&S Pay Band III whose base pay would fall within the top 15 percent of the band. For employees meeting these criteria, the following provisions will apply:

(1) If an employee's score falls in the top third of scores received in his/ her pay pool, he/ she will receive the full allowable base pay increase portion of the performance payout.

The balance of the payout will be paid as a lump sum bonus.

(2) If an employee's score falls in the middle third of scores received in his/ her pay pool, the base pay increase portion will not exceed one percent of base pay. The balance of the payout will be paid as a lump sum bonus.

(3) If an employee's appraisal score falls in the bottom third of scores received in his/ her pay pool, the full payout will be paid as a lump sum bonus.

## 12. Awards

In addition to the annual performance evaluation and payout process, the ARI Director may recognize outstanding individual or group achievements as they occur. Awards may include, but are not limited to, honorary, special act or on-the-spot monetary awards, and time-off awards. The ARI Director may re-delegate this authority. The ARI Director will have the authority to grant special act awards to covered employees of up to \$10,000 IAW the criteria of AR 672–20, Incentive Awards. The funds available to be used for traditional 5 U.S.C. awards are separately funded within the constraints of the organization’s budget.

## 13. General Pay Increase – Limitations for Unacceptable Performance

Employees on a PIP at the time pay determinations are made do not receive performance payouts or the annual general pay increase. An employee who receives an unacceptable rating of record will not receive any portion of the general pay increase until such time as his/ her performance improves to the acceptable level and remains acceptable for at least 90 days. When the employee has performed acceptably for at least 90 days, the general pay increase will not be retroactive but will be granted at the beginning of the next pay period after the supervisor authorizes its payment. These actions may result in a base pay that is identified in a lower pay band. This occurs because the minimum rate of base pay in a pay band increases as the result of the general pay increase (5 U.S.C. 5303). This situation (a reduction in band level with no reduction in pay) will not be considered an adverse action, nor will band retention provisions apply.

## 14. Retention Counteroffers

The Director, working with the PMB, may offer a retention counteroffer to retain high performing employees with critical scientific or technical skills who present evidence of an alternative employment opportunity with higher compensation. Such employees may be provided increased base pay (up to the ceiling of the pay band) and/or a one-time cash payment that does not exceed 50 percent of one year of base pay. Further details will be published in the

IOP. This flexibility addresses the expected benefits described in paragraph II. C, particularly “increased retention of high-quality employees.” Retention allowances, either in the form of a base pay increase and/or a bonus, count toward the Executive Level I aggregate limitation on pay consistent with 5 U.S.C. 5307 and 5 CFR part 530, subpart B. Further details will be published in the IOP.

#### 15. Grievances

An employee may grieve the performance rating/ score received under the pay-for-performance system through the administrative grievance procedure. Bargaining unit employees may not file a negotiated grievance disputing their rating/score unless the applicable collective bargaining agreement permits it.

#### 16. Adverse Actions

Except where specifically waived or modified in this plan, adverse action procedures under 5 CFR part 752 remain unchanged.

### *D. Hiring Authority*

#### 1. Qualifications

A candidate's basic eligibility will be determined using OPM's Qualification Standards Handbook for General Schedule Positions. Candidates must meet the minimum standards for entry into the pay band. For example, if the pay band includes positions in grades GS-5 and GS-7, the candidate must meet the qualifications for positions at the GS-5 level. Specific experience/education requirements will be determined based on whether a position to be filled is at the lower or higher end of the band. Selective placement factors can be established in accordance with the OPM Qualification Handbook, when judged to be critical to successful job performance. These factors will be communicated to all candidates for particular position vacancies and must be met for basic eligibility. Restructuring the examining process and providing an authority to appoint candidates meeting distinguished scholastic achievements

will allow the laboratory to compete more effectively for high quality personnel and strengthen the manager's role in personnel management as well as the goals of the demonstration project.

## 2. Delegated Examining

Competitive service positions will be filled through Merit Staffing, and through direct-hire authority or under Delegated Examining. Section 1108 of the NDAA for FY 2009, as amended by section 1103 of the NDAA for FY 2012, provides for delegation of direct-hire authority for qualified candidates with an advanced degree to scientific and engineering positions within STRL laboratories designated under section 1105 of NDAA FY2010. Direct-hire authority will be exercised in accordance with the requirements of the delegation of authority.

When there are no more than 15 qualified applicants and no preference eligibles, all eligible applicants are immediately referred to the selecting official without rating and ranking. Rating and ranking may occur when the number of qualified candidates exceeds 15 or there is a mix of preference and non-preference applicants. Category rating may be used to provide for a more streamlined and responsive hiring system to increase the number of eligible candidates referred to selecting officials. This provides for the grouping of eligible candidates into quality categories and the elimination of consideration according to the "rule of three." This includes the coordination of recruitment and public notices, the administration of the examining process, the administration of veterans' preference, the certification of candidates, and selection and appointment consistent with merit principles. Specific procedures used for competitive examining authority will be detailed in the IOP.

Statutes and regulations covering veterans' preference will be observed in the selection process when rating and ranking are required. Veterans with preference will be referred ahead of non-veterans with the same score/category.

## 3. Direct Hire

ARI will use the direct-hire authorities authorized by section 1108 of the NDAA for FY 2009, as amended by section 1103 of the NDAA for FY 2012, the direct hire authorities published in

79 FR 43722, and the direct hire authorities in 10 U.S.C. 2358a, as appropriate, to appoint the following:

- (1) Candidates with advanced degrees to scientific and engineering positions;
- (2) Candidates with bachelor's degrees to scientific and engineering positions;
- (3) Veteran candidates to scientific, technical, engineering, and mathematics positions (STEM), including technicians; and
- (4) Student candidates enrolled in a program of instruction leading to a bachelors or advanced degree in a STEM discipline.

In addition, other Direct Hire authorities, documented in FRNs and available to all DoD STRL laboratories, may be utilized, as appropriate.

#### 4. Legal Authority

For actions taken under the auspices of the demonstration project, the first legal authority code (LAC)/legal authority Z2U/Pub. L. 103-337 will be used. The second LAC/legal authority may identify the authority utilized (e.g., Direct Hires). For all other actions, the nature of action codes and legal authority codes prescribed by OPM, DoD, or DA will continue to be used.

#### 5. Revisions to Term Appointments

ARI will continue to have career and career-conditional appointments and temporary appointments not to exceed one year. These appointments will use existing authorities and entitlements. Under the demonstration project, ARI will have the added authority to hire individuals under a modified term appointment, and the Flexible Length and Renewable Term Technical Appointments authorized by section 1109(b)(1) of the NDAA for FY 2016, as amended by section 1106 of the NDAA for FY 2019, and published in 82 FR 43339.

Employees hired under the modified term appointment authority are in a non-permanent status in the competitive service for up to five years. The ARI Director is authorized to extend a modified term appointment for up to one additional year. Employees on modified term appointments may be eligible for conversion to career conditional appointments. To be

converted, the employee must (1) have been selected for the term position under competitive procedures, with the announcement specifically stating that the individual(s) selected for the term position may be eligible for conversion to a career-conditional appointment at a later date; (2) have served two years of continuous service in the term position; (3) be selected under merit promotion procedures for the permanent position; and (4) be performing at the acceptable level of performance with a current score of 30 or greater.

The Flexible Length and Renewable Term Technical Appointment authority will allow ARI to appoint qualified candidates who are not currently DoD civilian employees, or who are DoD civilian employees in term appointments, into any scientific, technical, engineering, and mathematic positions, including technicians, for a period of more than one year but not more than six years. The appointment of any individual under this authority may be extended without limit in up to six year increments at any time during any term of service under conditions set forth by the ARI Director. These appointments will allow ARI to dynamically shape the workforce to respond to mission requirements. Consistent with section 1109(b)(1) of the NDAA for FY 2016, as amended, employees hired under this provision will be counted as fractional employees of the laboratory for the purpose of determining workforce size of the laboratory. All waivers published in 82 FR 43339 apply to this demonstration project.

Employees appointed under Flexible Length and Renewable Term Technical Appointments may be eligible for noncompetitive conversion to a permanent appointment if the job announcement clearly states the possibility of being made permanent, in addition to any other provision in the STRL's modified term appointment authority. Unless otherwise eligible for a noncompetitive hiring authority, positions filled under this authority must be competed. Job opportunity announcements must clearly identify the type of appointment and the expected duration of initial appointment (up to six years). Appointees will also be afforded the opportunity to apply for vacancies that are otherwise limited to "status" candidates as described in 82 FR 43339.

Employees serving under term appointments will be covered by the plan's pay-for-performance system.

#### 6. Extended Probationary or Trial Period

The current two-year probationary period (Pub. L. 114-92) for DoD employees will be extended to three years for all newly hired permanent career-conditional employees. Trial periods for term appointments will also be extended to three years. The purpose of extending the probationary period is to allow supervisors an adequate period of time to fully evaluate an employee's ability to complete cycles of work and to fully assess an employee's contribution and conduct. The three-year probationary period will apply only to new hires subject to a probationary period.

Aside from extending the time period for probationary or trial periods, all other features of the current probationary and trial period are retained including the potential to remove an employee without providing the full substantive and procedural rights afforded a non-probationary employee. Any employee appointed prior to the implementation date will not be affected.

#### 7. Termination of Probationary Employees

Probationary employees may be terminated when they fail to demonstrate proper conduct, technical competency, and/ or acceptable performance for continued employment, and for conditions arising before employment. When a supervisor decides to terminate an employee during the probationary period because his/ her work performance or conduct is unacceptable, the supervisor will terminate the employee's services by written notification stating the reasons for termination and the effective date of the action. The information in the notice will, at a minimum, consist of the supervisor's conclusions as to the inadequacies of the employee's performance or conduct, or those conditions arising before employment that support the termination.

## 8. Supervisory Probationary Periods

Supervisory probationary periods will be consistent with 5 CFR part 315, subpart I. Existing Federal employees who are competitively selected or reassigned to a supervisory position will be required to complete a two-year supervisory probationary period for initial appointment to a supervisory position. Newly appointed supervisors, new to Federal service, must complete the probationary periods in accordance with section III.D.6 of this FRN for Extended Probationary Periods. Consistent with 5 U.S.C. 3321, if, during this supervisory probationary period, the decision is made to return the employee to a non-supervisory position for reasons related to supervisory performance, the employee will be returned to a position comparable in pay and job duties to the position from which they were originally promoted or reassigned. A return to a non-supervisory position will result in a return to the employees' salary immediately prior to the appointment to a supervisory position, plus any increases that would have been afforded to the employee if the employee had remained in the position.

Supervisors hired, new to the Government, who have not demonstrated successful performance in a lower position at ARI and who do not successfully complete their probationary period may be terminated when they fail to demonstrate proper conduct, technical competency, and/ or acceptable performance for continued employment, and for conditions arising before employment. As with non-supervisors and consistent with 5 U.S.C. 3321, a supervisor who is not performing at an acceptable level may be moved to another position in a different pay band. Such a move would result in a reduction of pay of no less than 6 percent or to the top of the lower pay band, whichever reduction is greater.

The ARI Director may place the supervisor on a PIP at any time during the supervisory probationary period to help improve performance to a successful level.

## 9. Volunteer Emeritus Program (VEP)

The ARI Director will have the authority to offer former Federal employees who have retired or separated from the Federal service, voluntary assignments in ARI. VEP assignments are not

considered “employment” by the Federal government. Thus, such assignments do not affect an employee's entitlement to buyouts or severance payments based on an earlier separation from Federal service. The VEP will ensure continued quality research while reducing the overall salary line by allowing higher paid individuals to accept retirement incentives with the opportunity to retain a presence in the scientific community. The program will be of most benefit during manpower reductions as senior employees could accept retirement and return to provide valuable on-the-job training or mentoring to less experienced employees. Volunteer service will not be used to replace any employee, or interfere with career opportunities of employees. The VEP may not be used to replace or substitute for work performed by civilian employees occupying regular positions required to perform the ARI's mission.

To be accepted into the VEP, a candidate must be recommended by an ARI manager to the ARI Director. Everyone who applies is not entitled to participate in the program. The Director will document the decision process for each candidate and retain selection and non-selection documentation for the duration of the assignment or two years, whichever is longer.

To ensure success and encourage participation, the volunteer's federal retirement pay (whether military or civilian) will not be affected while serving in a volunteer capacity. Retired or separated federal employees may accept an emeritus position without a break or mandatory waiting period.

Volunteers will not be permitted to monitor contracts on behalf of the government or to participate on any contracts or solicitations where a conflict of interest exists. The same rules that currently apply to source selection members will apply to volunteers.

An agreement will be established between the volunteer and the ARI Director. The agreement will be reviewed by the servicing legal office. The agreement must be finalized before the assumption of duties and will include:

- (1) a statement that the service provided is gratuitous, that the volunteer assignment does not constitute an appointment in the civil service and is without compensation or other benefits

except as provided for in the agreement itself, and that, except as provided in the agreement regarding work-related injury compensation, any and all claims against the Government (stemming from or in connection with the volunteer assignment) are waived by the volunteer;

(2) a statement that the volunteer will be considered a federal employee for the purpose of:

(a) 18 U.S.C. 201, 203, 205, 207, 208, 209, 603, 606, 607, 643, 654, 1905, and 1913;

(b) 31 U.S.C. 1343, 1344, and 1349(b);

(c) 5 U.S.C. chapters 73 and 81;

(d) The Ethics in Government Act of 1978;

(e) 41 U.S.C. chapter 21;

(f) 28 U.S.C. chapter 171 (tort claims procedure), and any other Federal tort liability statute;

(g) 5 U.S.C. 552a (records maintained on individuals); and

(3) The volunteer's work schedule;

(4) The length of agreement (defined by length of project or time defined by weeks, months, or years);

(5) The support to be provided by ARI (travel, administrative, office space, supplies);

(6) The volunteer's duties;

(7) A provision that states no additional time will be added to a volunteer's service credit for such purposes as retirement, severance pay, and leave as a result of being a participant in the VEP;

(8) A provision allowing either party to void the agreement with 10 working days written notice;

(9) The level of security access required (any security clearance required by the assignment will be managed by ARI while the volunteer is a participant in the VEP);

(10) A provision that any written products prepared for publication that are related to VEP participation will be submitted to the ARI Director for review and must be approved prior to

publication;

(11) A statement that the volunteer accepts accountability for loss or damage to Government property occasioned by the volunteer's negligence or willful action;

(12) A statement that the volunteer's activities on the premises will conform to the ARI's regulations and requirements;

(13) A statement that the volunteer will not improperly use or disclose any non-public information, to include any pre-decisional or draft deliberative information related to DoD programming, budgeting, resourcing, acquisition, procurement or other matter, for the benefit or advantage of the VEP participant or any non-Federal entities. VEP participants will handle all non-public information in a manner that reduces the possibility of improper disclosure.

(14) A statement that the volunteer agrees to disclose any inventions made in the course of work performed at ARI. The ARI Director will have the option to obtain title to any such invention on behalf of the U.S. Government. Should the Director elect not to take title, the laboratory will retain a non-exclusive, irrevocable, paid up, royalty-free license to practice or have practiced the invention worldwide on behalf of the U.S. Government.

(15) A statement that the VEP participant must complete either a Confidential or Public Financial Disclosure Report, whichever applies, and ethics training in accordance with office of Government Ethics regulations prior to implementation of the agreement; and

(16) A statement that the VEP participant must receive post-government employment advice from a DoD ethics counselor at the conclusion of program participation. VEP participants are deemed Federal employees for purposes of post-government employment restrictions.

#### *E. Internal Placement*

##### *1. Promotion*

A promotion is the movement of an employee to a higher pay band in the same occupational family or to another pay band in a different occupational family, wherein the band

in the new family has a higher maximum base pay than the band from which the employee is moving. Positions with known promotion potential to a specific band within an occupational family will be identified when they are filled. Movement from one occupational family to another will depend upon individual competencies, qualifications, and the needs of the organization.

Progression within a pay band is based upon performance-based pay increases; as such, these actions are not considered promotions and are not subject to the provisions of this section. Except as specified below, promotions will be processed under competitive procedures in accordance with Merit System Principles and requirements of the local merit promotion plan.

To be promoted competitively or non-competitively from one band to the next, an employee must meet the minimum qualifications for the job and have a current performance rating of 30 or better, or equivalent under a different performance appraisal system. The minimum performance rating of 30 is set as an initial value and may be changed by the PMB, as necessary, with a goal of continuously increasing employee and laboratory performance. If an employee does not have a current performance rating, the employee will be treated the same as an employee with an “acceptable” rating as long as there is no documented evidence of unacceptable performance.

## 2. Reassignment

A reassignment is the movement of an employee from one position to a different position within the same occupational family and pay band or to another occupational family and pay band wherein the band in the new family has the same maximum base pay. The employee must meet the qualifications requirements for the occupational family and pay band.

## 3. Demotion or Placement in a Lower Pay Band or Grade

A demotion is a placement of an employee into a lower pay band within the same occupational family or placement into a pay band in a different occupational family with a lower maximum base pay. Demotions may be for cause (performance or conduct) or for reasons other

than cause (*e.g.*, erosion of duties, reclassification of duties to a lower pay band, application under competitive announcements, at the employee's request - if approved, placement actions resulting from reduction-in-force ((RIF) procedures). Such actions will be executed using the applicable adverse action procedures in Title 5, U.S.C., Chapter 43 or Chapter 75.

#### 4. Simplified Assignment Process

Today's environment of downsizing and workforce fluctuations mandates that the organization have maximum flexibility to assign duties and responsibilities to individuals. Pay banding can be used to address this need, as it enables the organization to have maximum flexibility to assign an employee with no change in base pay, within broad descriptions, consistent with the needs of the organization and the individual's qualifications and level. Subsequent assignments to projects, tasks, or functions anywhere within the organization requiring the same level, area of expertise, and qualifications would not constitute an assignment outside the scope or coverage of the current position description. For instance, a Research Psychologist could be assigned to any project, task, or function requiring similar expertise. Likewise, a manager/ supervisor could be assigned to manage any similar function or organization consistent with that individual's qualifications. This flexibility allows broader latitude in assignments and further streamlines the administrative process and system. Execution of such actions may require fulfilling labor obligations, where applicable.

#### 5. Details and Expanded Temporary Promotions

Employees may be detailed to a position at the same or similar level (position in a pay band with the same maximum salary). Additionally, employees may be temporary promoted to a position in a pay band with a higher maximum salary. Details and temporary promotions may be for up to two years. A detail or temporary promotion may be effected without a change in pay or may result in a base pay increase when the detail or temporary assignment significantly increases the complexity, responsibility, authority, or for other compelling reasons. Such an increase is subject to the specific guidelines established by the PMB. Details and temporary promotions

may be determined by a competitive or a non-competitive process. The specifics of these authorities will be stipulated by local business rules, policies, or procedures as organizational experience dictates. Execution of such actions may require fulfilling labor obligations, where applicable.

#### 6. Exceptions to Competitive Procedures for Assignment to a Position

The following actions are excepted from competitive procedures:

- (1) Re-promotion to a position which is in the same pay band or GS equivalent and occupational family as the employee previously held on a permanent basis within the competitive service.
- (2) Promotion, reassignment, demotion, transfer, or reinstatement to a position having promotion potential no greater than the potential of a position an employee currently holds or previously held on a permanent basis in the competitive service.
- (3) A position change permitted by RIF procedures.
- (4) Promotion without current competition when the employee was appointed through competitive procedures to a position with a documented career ladder.
- (5) A temporary promotion, or detail to a position in a higher pay band, of two years or less.
- (6) A promotion due to the reclassification of positions based on accretion (addition) of duties.
- (7) A promotion resulting from the correction of an initial classification error or the issuance of a new classification standard.
- (8) Consideration of a candidate who did not receive proper consideration in a competitive promotion action.

#### *F. Pay Setting*

##### 1. General

Pay administration policies will be established by the PMB. These policies will be exempt from Army Regulations or local pay fixing policies. Employees whose performance is acceptable will receive the full annual general pay increase and the full locality pay. The ARI Director shall have delegated authority to may make full use of recruitment, retention, and relocation payments as currently provided for by OPM.

Grade and pay retention will follow current law and regulations at 5 U.S.C. 5362, 5363, and 5 CFR part 536, except as waived or modified in Section IX, the waiver section of this plan. The ARI Director may also grant pay retention to employees who meet general eligibility requirements, but do not have specific entitlement by law, provided they are not specifically excluded.

## 2. Pay and Compensation Ceilings

A demonstration project employee's total monetary compensation paid in a calendar year may not exceed the base pay of Level I of the Executive Schedule consistent with 5 U.S.C. 5307 and 5 CFR part 530 subpart B. In addition, each pay band will have its own pay ceiling, just as grades do in the GS system. Base pay rates for the various pay bands will be directly keyed to the GS rates, except as noted for the Pay Band VI of the Engineer and Scientist occupational family. Other than where retained rate applies, base pay will be limited to the maximum base pay payable for each pay band.

## 3. Pay Setting for Appointment

For initial appointments to Federal service, the individual's pay may be set at the lowest base pay in the pay band or anywhere within the band level consistent with the special qualifications of the individual, specific organizational requirements, the unique requirements of the position, or other compelling reason. These special qualifications may be in the form of education, training, experience or any combination thereof that is pertinent to the position in which the

employee is being placed. Guidance on pay setting for new hires will be established by the PMB and documented in IOPs.

Highest Previous Rate (HPR) may be considered in placement actions authorized under rules similar to the HPR rules in 5 CFR 531.221. Request to use HPR must be made to the PMB and is subject to policies established by the PMB, as approved by the ARI Director. To maintain consistent application of pay setting decisions, the PMB will collect and track pay setting data, qualifications, and other relevant information.

#### 4. Pay Setting for Promotion

The minimum base pay increase upon promotion to a higher pay band will be six percent or the minimum base pay rate of the new pay band, whichever is greater. The maximum amount of a pay increase for a promotion is 20 percent but will not normally exceed \$10,000 or other such amount as established by the Personnel Management Board. The maximum base pay increase for promotion may be exceeded when necessary to allow for the minimum base pay increase. For employees assigned to occupational categories and geographic areas covered by special rates, the minimum base pay rate in the pay band to which promoted is the minimum base pay for the corresponding special rate or locality rate, whichever is greater. For employees covered by a staffing supplement (described in III.F.9.), the demonstration staffing supplement adjusted pay is considered base pay for promotion calculations. When a temporary promotion is terminated, the employee's pay entitlements will be re-determined based on the employee's position of record, with appropriate adjustments to reflect pay events during the temporary promotion, subject to the specific policies and rules established by the PMB. In no case may those adjustments increase the base pay for the position of record beyond the applicable pay range maximum base pay rate.

#### 5. Pay Setting for Reassignment

A reassignment may be effected without a change in base pay. However, a base pay increase may be granted where a reassignment significantly increases the complexity, responsibility,

authority, or for other compelling reasons. Such an increase is subject to the specific guidelines established by the PMB.

#### 6. Pay Setting for Demotion or Placement in a Lower Pay Band

Employees demoted for cause (performance or conduct) are not entitled to pay retention and will receive a minimum of a five percent decrease in base pay. Employees demoted for reasons other than cause (*e.g.*, erosion of duties, reclassification of duties to a lower pay band, or placement actions resulting from RIF procedures) may be entitled to pay and grade retention in accordance with the provisions of 5 U.S.C. 5363 and 5 CFR part 536, except as waived or modified in Section IX of this plan.

Employees who receive an unacceptable rating or who are on a PIP at the time pay determinations are made do not receive performance payouts or the general pay increase. This action may result in a base pay that is identified in a lower pay band. This occurs because the minimum rate of base pay in a pay band increases as the result of the general pay increase (5 U.S.C. 5303). This situation (a reduction in band level with no reduction in pay) will not be considered an adverse action, nor will band retention provisions apply.

A supervisor who fails to successfully complete a supervisory probationary period will no longer receive a supervisory pay adjustment (supervisory differential/ adjustment).

#### 7. Supervisory and Team Leader Pay Adjustments

Supervisory and team leader pay adjustments may be approved by the ARI Director at his/her discretion, based on the recommendation of the PMB, to compensate employees with supervisory or team leader responsibilities. Supervisory and team leader pay adjustments are a tool that may be implemented at the discretion of the ARI Director and are not to be considered an employee entitlement due solely to his/her position as a supervisor or team leader. Only employees in supervisory or team leader positions as defined by the OPM GS Supervisory Guide or GS Leader Grade Evaluation Guide may be considered for the pay adjustment. These pay adjustments are funded separately from performance pay pools. These pay adjustments are

increases to base pay, ranging up to 10 percent of that pay rate for supervisors and for team leaders. Pay adjustments are subject to the constraint that the adjustment may not cause the employee's base pay to exceed the pay band maximum base pay. Criteria to be considered in determining the pay increase percentage include:

- (1) Needs of the organization to attract, retain, and motivate high-quality supervisors/ team leaders;
- (2) Budgetary constraints;
- (3) Years and quality of related experience;
- (4) Relevant training;
- (5) Performance appraisals and experience as a supervisor/ team leader;
- (6) Unique requirements of a specific position or level of complexity compared to other positions of a similar nature,
- (7) Organizational level of position; and
- (8) Impact on the organization.

A pay adjustment may be considered under the following conditions:

- (1) New supervisory/ team leader positions will have their initial rate of base pay set within the pay range of the applicable pay band and rules established by the PMB. Request for initial rate of pay will be made to the PMB and approved by the ARI Director or delegated official. This rate of pay may include a pay adjustment determined by using the ranges and criteria outlined above.
- (2) A career employee selected for a supervisory/ team leader position may also be considered for a base pay adjustment. If a supervisor/ team leader is already authorized a base pay adjustment and is subsequently selected for another supervisor/ team leader position, then the base pay adjustment will be re-determined. Upon initial conversion into the demonstration project into the same or substantially similar position, supervisors/ team

leaders will be converted at their existing base rate of pay and will not be eligible for a base pay adjustment.

(3) The supervisory/ team leader pay adjustment will be reviewed annually, or more often as needed, and may be increased or decreased by a portion or by the entire amount of the supervisory/ team leader pay adjustment based upon the employee's performance appraisal score for the performance element, Team Project Leadership or Supervision/ EEO, needs of the organization, and/ or criteria outlined above. If the entire portion of the supervisory/ team leader pay adjustment is to be decreased, the initial dollar amount of the supervisory/ team leader pay adjustment will be removed. A decrease to the supervisory/ team leader pay adjustment as a result of the annual review or when an employee voluntarily leaves a position is not an adverse action and is not subject to appeal.

#### 8. Supervisory/ Team Leader Pay Differentials

Supervisory and team leader pay differentials may be used by the ARI Director to provide an incentive and reward supervisors and team leaders. Supervisory and team leader pay differentials are a tool that may be implemented at the discretion of the ARI Director and is not to be considered an entitlement due to an employee solely due to their position as a supervisor or team leader. Pay differentials are not funded from performance pay pools. A pay differential is a cash incentive that may range up to 10 percent of base pay for supervisors and for team leaders. It is paid on a pay period basis with a specified not-to-exceed (NTE) of one year or less and is not included as part of the base pay. Criteria to be considered in determining the amount of the pay differential are the same as those identified for Supervisory/ Team Leader Pay Adjustments.

The pay differential may be considered, either during conversion into or after initiation of the demonstration project. The differential must be terminated if the employee is removed from a supervisory/ team leader position, regardless of cause.

After initiation of the demonstration project, all personnel actions involving a supervisory/team leader differential will require a statement signed by the employee acknowledging that the differential may be terminated or reduced at the discretion of the ARI Director. The termination or reduction of the supervisory differential is not considered an adverse action under Chapter 75, of Title 5, U.S.C. and 5 CFR 752, and is not subject to appeal with the Merit Systems Protection Board.

## 9. Staffing Supplements

Employees assigned to occupational categories and geographic areas covered by special rates will be entitled to a staffing supplement if the maximum adjusted base pay for the banded GS grades (*i.e.*, the maximum GS locality rate) to which assigned is a special rate that exceeds the maximum GS locality rate for the banded grades. Specific provisions will be described in IOPs.

### *G. Employee Development*

#### 1. Expanded Developmental Opportunity Program

The Expanded Developmental Opportunity Program will be available to all demonstration project employees. Expanded developmental opportunities complement existing developmental opportunities such as long-term training; rotational job assignments; developmental assignments to ARI, Army, or DoD; and self-directed study via correspondence courses, local colleges, and universities. Each developmental opportunity must result in a product, service, report, or study that will benefit ARI or customer organization as well as increase the employee's individual effectiveness. The PMB will provide written guidance for employees on application procedures and develop a process that will be used to review and evaluate applicants for development opportunities. These expanded developmental opportunities may be made available when there is a critical skill, need, or gap that must be filled for organizational success. Determinations for sabbaticals and critical skills training shall be made based on the needs of ARI and the relationship to the research mission, merit,

organization fill rates, current, near- and mid-term workload requirements, budget, and employee performance scores.

(1) Sabbatical. The ARI Director has the authority to grant paid or unpaid sabbaticals to all career employees. The purpose of a sabbatical will be to permit employees to engage in study or uncompensated work experience that will benefit the organization and contribute to the employee's development and effectiveness. Each sabbatical must result in a product, service, report, or study that will benefit the ARI mission as well as increase the employee's individual effectiveness. Various learning or developmental experiences may be considered, such as research, self-directed or guided study, and on-the-job work experience. Limitations and eligibility requirements for sabbaticals will be published in the IOP. Employees approved for a paid sabbatical must sign a service obligation agreement to continue in service in ARI for a period of three times the length of the sabbatical. If an employee voluntarily leaves ARI before the service obligation is completed he/she is liable for repayment of expenses incurred by ARI that are associated with the sabbatical. Expenses do not include salary costs. The ARI Director has the authority to waive this requirement. Criteria for such waivers will be addressed in the operating procedures. Specific procedures will be developed for processing sabbatical applications upon implementation of the demonstration project.

(2) Critical Skills Training. The ARI Director has the authority to approve academic degree training where consistent with a current employee's current line of work, and where it provides a clear benefit to the organization. Training is an essential component of an organization that requires continuous acquisition of advanced and specialized knowledge. Degree training is also a tool for maintaining required knowledge and skills critical to the present and future requirements of the organization. Degree or certificate payment may not be authorized where it would result in a tax liability for the employee without the employee's express and written consent. Any variance from this policy must be rigorously determined and documented. Guidelines will be developed to ensure a fully competitive approval process for expanded

critical skills training. Employees approved for degree training must sign a service obligation agreement to continue service in the ARI for a period three times the length of the training period commencing after the completion of the entire degree program. If an employee voluntarily leaves ARI before the service obligation is completed, he/ she is liable for repayment of expenses incurred by ARI that are related to the critical skills training. Expenses do not include salary costs. The ARI Director has the authority to waive this requirement. Criteria for such waivers will be addressed in the operating procedures.

#### **IV. Implementation Training**

Critical to the success of the demonstration project is the training developed to promote understanding of the broad concepts and finer details needed to implement and successfully execute this project. Training will be tailored to address employee concerns and to encourage comprehensive understanding of the demonstration project. Training will be required both prior to implementation and at various times during the life of the demonstration project.

A training program will begin prior to implementation and will include modules tailored for employees, supervisors, and administrative staff. Typical modules are:

- (1) An overview of the demonstration project personnel system.
- (2) How employees are converted into and out of the system.
- (3) Pay banding.
- (4) The pay-for-performance system.
- (5) Defining performance objectives.
- (6) How to assign weights to performance elements.
- (7) Assessing performance and giving feedback.
- (8) New position descriptions.
- (9) Demonstration project administration and formal evaluation.

Various types of training are being considered, including videos, video-teleconference tutorials, and train-the-trainer concepts. To the extent possible, materials already developed

from other STRLs will be utilized when appropriate to reduce implementation cost and to maintain consistency in application of similar procedures across laboratories.

## **V. Conversion**

### *A. Conversion to the Demonstration Project*

Conversion from current GS grade and pay into the new pay band system will be accomplished during implementation of the demonstration project. Initial entry into the demonstration project will be accomplished through a full employee-protection approach that ensures each employee an initial place in the appropriate pay band without loss of pay on conversion.

Under the GS pay structure, employees progress through their assigned grade in step increments. Since this system is being replaced under the demonstration project, employees will be awarded that portion of the next higher step they have completed up until the effective date of conversion. As under the current system, supervisors will be able to withhold these partial step increases if the employee's performance is below an acceptable level of competence.

Rules governing WGIs will continue in effect until conversion. Adjustments to the employee's base salary for WGI equity will be computed as of the effective date of conversion. WGI equity will be acknowledged by increasing base pay by a prorated share based upon the number of full weeks an employee has completed toward the next higher step. Payment will equal the value of the employee's next WGI times the proportion of the waiting period completed (weeks completed in waiting period / weeks in the waiting period) at the time of conversion. Employees at step 10, or receiving retained rates, on the day of implementation will not be eligible for WGI equity adjustments since they are already at or above the top of the step scale. Employees serving on retained grade will receive WGI equity adjustments provided they are not at step 10 or receiving a retained rate.

Employees who enter the demonstration project after initial implementation by lateral transfer, reassignment, or realignment will be subject to the same pay conversion rules as above. If

conversion into the demonstration project is accompanied by a geographic move, the employee's GS pay entitlements in the new geographic area must be determined before performing the pay conversion.

*B. Conversion or Movement from a Project Position to a General Schedule Position*

If a demonstration project employee is moving to a GS position not under the demonstration project, or if the project ends and each project employee must be converted back to the GS system, the following procedures will be used to convert the employee's project pay band to a GS-equivalent grade and the employee's project rate of pay to GS equivalent rate of pay. The converted GS grade and GS rate of pay must be determined before movement or conversion out of the demonstration project and any accompanying geographic movement, promotion, or other simultaneous action. For conversions upon termination of the project and for lateral reassignments, the converted GS grade and rate will become the employee's actual GS grade and rate after leaving the demonstration project (before any other action). For employee movement from within DoD (transfers), promotions, and other actions, the converted GS grade and rate will be used in applying any GS pay administration rules applicable in connection with the employee's movement out of the project (e.g., promotion rules, highest previous rate rules, pay retention rules), as if the GS converted grade and rate were actually in effect immediately before the employee left the demonstration project.

**1. Grade-Setting Provisions**

An employee in a pay band corresponding to a single GS grade is converted to that grade. An employee in a pay band corresponding to two or more grades is converted to one of those grades according to the following rules:

- (1) The employee's adjusted rate of basic pay under the demonstration project (including any locality payment or staffing supplement) is compared with step four rates on the highest applicable GS rate range. (For this purpose, a "GS rate range" includes a rate in (1) the GS base schedule, (2) the locality rate schedule for the locality pay area in which

the position is located, or (3) the appropriate special rate schedule for the employee's occupational series, as applicable.) If the series is a two-grade interval series, only odd-numbered grades are considered below GS-11.

(2) If the employee's adjusted project rate equals or exceeds the applicable step four rate of the highest GS grade in the band, the employee is converted to that grade.

(3) If the employee's adjusted project rate is lower than the applicable step four rate of the highest grade, the adjusted rate is compared with the step four rate of the second highest grade in the employee's pay band. If the employee's adjusted rate equals or exceeds step four rate of the second highest grade, the employee is converted to that grade.

(4) This process is repeated for each successively lower grade in the band until a grade is found in which the employee's adjusted project rate equals or exceeds the applicable step four rate of the grade. The employee is then converted at that grade. If the employee's adjusted rate is below the step four rate of the lowest grade in the band, the employee is converted to the lowest grade.

(5) Exception: An employee will not be converted to a lower grade than the grade held by the employee immediately preceding a conversion, lateral reassignment, or transfer from within DoD into the project, unless since that time the employee has undergone a reduction in band or accepted a lower grade/ band position.

## 2. Pay-Setting Provisions

An employee's pay within the converted GS grade is set by converting the employee's demonstration project rate of pay to GS rate of pay in accordance with the following rules:

(1) The pay conversion is done before any geographic movement or other pay-related action that coincides with the employee's movement or conversion out of the demonstration project.

(2) An employee's adjusted rate of basic pay under the project (including any locality payment or staffing supplement) is converted to the GS adjusted rate on the highest applicable rate range for the converted GS grade. (For this purpose, a "GS rate range" includes a rate range in (1) the GS base schedule, (2) an applicable locality rate schedule, or (3) an applicable special rate schedule.)

(3) If the highest applicable GS rate range is a locality pay rate range, the employee's adjusted project rate is converted to a GS locality rate of pay. If this rate falls between two steps in the locality-adjusted schedule, the rate must be set at the higher step. The converted GS unadjusted rate of basic pay would be the GS base rate corresponding to the converted GS locality rate (i.e., same step position). (If this employee is also covered by a special rate schedule as a GS employee, the converted special rate will be determined based on the GS step position. This underlying special rate will be basic pay for certain purposes for which the employee's higher locality rate is not basic pay.)

(4) If the highest applicable GS rate range is a special rate range, the employee's adjusted project rate is converted to a special rate. If this rate falls between two steps in the special rate schedule, the rates must be set at the higher step. The converted GS unadjusted rate of basic pay will be the GS rate corresponding to the converted special rate (i.e., same step position).

### 3. E&S Pay band III Employees

An employee in Pay band III of the E&S Occupational family will convert out of the demonstration project at no higher than the GS-13, step 10 level. ARI, in consultation with the CPAC, will develop a procedure to ensure that employees entering E&S Pay band III understand that if they leave the demonstration project and their adjusted pay exceeds the GS-13, step 10 rate, there is no entitlement to retained pay; their GS-equivalent rate will be deemed to be the rate for GS-13, step 10. These procedures will be documented in IOPs.

### 4. E&S Pay band VI Employees

*E&S Pay Band VI Employees:* An employee in Pay Band VI of the E&S occupational family will convert out of the demonstration project at the GS–15 level. Procedures will be documented in IOPs to ensure that employees entering Pay Band VI understand that if they leave the demonstration project and their adjusted base pay under the demonstration project exceeds the highest applicable GS–15, step 10 rate, there is no entitlement to retained pay. However, consistent with 79 FR 43722, July 28, 2014, pay retention may be provided to SSTM members under criteria established by the PMB (and approved by the Director) who are impacted by a reduction in force, work realignment, or other planned management action that would necessitate moving the incumbent to a position in a lower pay band within the STRL. Pay retention may also be provided under criteria established when an SES or ST employee is placed in a SSTM position as a result of reduction in force or other management action. SSTM positions not entitled to pay retention above the GS–15, step 10 rate will be deemed to be the rate for GS–15, step 10. For those Pay Band VI employees paid below the adjusted GS–15, step 10 rate, the converted rates will be set in accordance with paragraph 2.

5. Employees with Band or Pay Retention:

(1) If an employee is retaining a band level under the demonstration project, apply the procedures in paragraphs 1.a. and 1.b. (Grade-Setting Provisions) above, using the grades encompassed in the employee's retained band to determine the employee's GS-equivalent retained grade and pay rate. The time in a retained band under the demonstration project counts toward the 2-year limit on grade retention in 5 U.S.C. 5382.

(2) If an employee is retaining rate under the demonstration project, the employee's GS-equivalent grade is the highest grade encompassed in his or her band level. ARI will coordinate with DoD to prescribe a procedure for determining the GS-equivalent pay rate for an employee retaining a rate under the demonstration project.

## 6. Within-Grade Increase

Equivalent Increase Determinations: Service under the demonstration project is creditable for within-grade increase purposes upon conversion back to the GS pay system. Performance pay increases (including a zero increase) under the demonstration project are equivalent increases for the purpose of determining the commencement of a within-grade increase waiting period under 5 CFR 531.405(b).

### *C. Personnel Administration*

All personnel laws, regulations, and guidelines not waived by this plan will remain in effect. Basic employee rights will be safeguarded and Merit System Principles will be maintained. Servicing CPAC(s) will continue to process personnel-related actions and provide consultative and other appropriate services.

### *D. Automation*

ARI will use the DoD approved automated personnel system for the processing of personnel-related data. Payroll servicing will continue from the respective payroll offices.

An automated tool or other appropriate procedures will be used to support computation of performance related pay increases and awards and other personnel processes and systems associated with this project.

### *E. Revision*

Constant assessment and refinement is needed to maximize the effectiveness of the system. Modifications may be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the new system is working. Modifications will be made in accordance with the provisions of DoDI 1400.37, or applicable superseding instructions.

## **VI. Project Duration**

Pub. L. 103–337 removed any mandatory expiration date for this demonstration project. ARI, DA, and DoD will ensure this project is evaluated for the first five years after implementation in accordance with 5 U.S.C. 4703. Modifications to the original evaluation plan

or any new evaluation will ensure the project is evaluated for its effectiveness, its impact on mission, and any potential adverse impact on any employee groups.

## **VII. Evaluation Plan**

### *A. Overview*

Chapter 47 of 5 U.S.C. requires that an evaluation be performed to measure the effectiveness of the demonstration project, and its impact on improving public management. A comprehensive evaluation plan for the entire demonstration program, originally covering 24 DoD laboratories, was developed by a joint OPM/ DoD Evaluation Committee in 1995. This plan was submitted to the Office of Defense Research & Engineering and was subsequently approved. The main purpose of the evaluation is to determine whether the waivers granted result in a more effective personnel system and improvements in ultimate outcomes (*i.e.*, organizational effectiveness, mission accomplishment, and customer satisfaction). That plan, while useful, is dated and does not fully afford the laboratories the ability to evaluate all aspects of the demonstration project in a way that fully facilitates assessment and effective modification based on actionable data. Therefore, in conducting the evaluation ARI will ensure USD(R&E) evaluation requirements are met in addition to applying knowledge gained from other DoD laboratories and their evaluations to ensure a timely, useful evaluation of the demonstration project.

### *B. Method of Data Collection*

Data from a variety of different sources will be used in the evaluation. Information from existing management information systems supplemented with perceptual survey data from employees will be used to assess variables related to effectiveness. Multiple methods provide more than one perspective on how the demonstration project is working. Information gathered through one method will be used to validate information gathered through another. Confidence in the findings will increase as they are substantiated by the different collection methods. The following types of qualitative and/or quantitative data will be collected as part of the evaluation:

(1) Workforce data; (2) personnel office data; (3) employee attitudes and feedback using surveys, structured interviews, and focus groups; (4) local activity histories; and, (5) core measures of laboratory effectiveness.

## **VIII. Demonstration Project Costs**

### *A. Cost Discipline*

An objective of the demonstration project is to ensure in-house cost discipline. A baseline will be established at the start of the project and labor expenditures will be tracked yearly. Implementation costs (including project development, automation costs, step buy-in costs, and evaluation costs) are considered one-time costs and will not be included in the cost discipline.

The Personnel Management Board will track personnel cost changes and recommend adjustments if required to achieve the objective of cost discipline.

### *B. Developmental Costs*

Costs associated with the development of the personnel demonstration project include software automation, training, and project evaluation. All funding will be provided through the organization's budget. The projected annual expenses are summarized in Table 1. Project evaluation costs are not expected to continue beyond the first five years unless the results warrant further evaluation. Additional cost may be incurred as a part of the implementation and operation of the project.

TABLE 1—PROJECTED DEVELOPMENTAL COSTS

[In thousands of dollars]

	FY20	FY21	FY22	FY23	FY24
Training	15K	15K	10K	10K	5K
Project Evaluation	0K	0K	5K	5K	30K
Automation	15K	25K	25K	25K	25K
	30K	40K	40K	40K	60K

## **IX. Required Waivers to Law and Regulation**

Pub. L. 106–398 gave the DoD the authority to experiment with several personnel management innovations. In addition to the authorities granted by the law, the following are waivers of law and regulation that will be necessary for implementation of the demonstration project. In due course, additional laws and regulations may be identified for waiver request.

The following waivers and adaptations of certain Title 5 U.S.C. provisions are required only to the extent that these statutory provisions limit or are inconsistent with the actions contemplated under this demonstration project. Nothing in this plan is intended to preclude the demonstration project from adopting or incorporating any law or regulation enacted, adopted, or amended after the effective date of this demonstration project.

### *A. Waivers to Title 5, United States Code*

Chapter 5, section 552a: Records maintained on individuals. This section is waived only to the extent required to clarify that volunteers under the Volunteer Emeritus Corps are considered employees of the Federal government for purposes of this section.

Chapter 31, section 3104: Employment of specially qualified scientific and professional personnel. Waived to allow SSTMs.

Chapter 31, section 3132: The Senior Executive Service: Definitions and exclusions. Waived as necessary to allow for the Pay Band VI of the E&S Occupational Family.

Chapter 33, section 3317(a): Competitive Service; certification from registers. Waived insofar as “rule of three” is eliminated under the demonstration projects.

Chapter 33, section 3318(a): Competitive Service, selection from certificate. Waived to the extent necessary to eliminate the requirement for selection using the “Rule of Three” and other limitations on recruitment list.

Chapter 33, section 3321: Competitive service; probationary period. This section waived only to the extent necessary to replace grade with “pay band.”

Chapter 33, section 3324 and section 3325: Appointments to positions classified above GS-15. Waived in entirety to fully allow for positions above GS-15.

Chapter 33, section 3341: Details. Waived as necessary to extend the time limits for details.

Chapter 41, section 4107(a) (1), (2), (b) (1), (3): Pay for Degrees. Waived to the extent required to allow ARI to pay for all courses related to a degree program approved by the ARI Director.

Chapter 41, section 4108(a)–(c): Employee agreements; service after training. Waived to the extent necessary to require the employee to continue in the service of ARI for the period of the required service and to the extent necessary to permit the Director, ARI, to waive in whole or in part a right of recovery.

Chapter 43, sections 4301–4305: Related to performance appraisal. These sections are waived to the extent necessary to allow provisions of the performance management system as described in this FRN.

Chapter 51, sections 5101–5112: Classification. Waived as necessary to allow for the demonstration project pay banding system.

Chapter 53, sections 5301–5307: Related to pay comparability system and GS pay rates. Waived to the extent necessary to allow demonstration project employees, including SSTM employees, to be treated as GS employees, and to allow basic rates of pay under the demonstration project to be treated as scheduled rates of pay. SSTM pay will not exceed EX-IV and locality adjusted SSTM rates will not exceed EX III.

Chapter 53, sections 5331–5336: GS pay rates. Waived in its entirety to allow for the demonstration project's pay banding system and pay provisions.

Chapter 53, sections 5361–5366: Grade and pay retention. Waived to the extent necessary to allow pay retention provisions described in this FR notice and to allow SSTMs to receive pay retention as described in 79 FR 43722.

Chapter 55, section 5545(d): Hazardous duty differential. Waived to the extent necessary to allow demonstration project employees to be treated as GS employees. This waiver does not apply to employees in Pay Band VI of the E&S occupational family.

Chapter 57, section 5753, 5754, and 5755: Recruitment and relocation, bonuses, retention allowances and supervisory differentials. Waived to the extent necessary to allow (1) employees and positions under the demonstration project to be treated as employees and positions under the GS, (2) employees in Pay Band VI of the E&S occupational family to be treated as ST and/ or GS employees as appropriate, (3) provisions of the retention counteroffer and incentives as described in this FRN, and (4) to allow SSTMs to receive supervisory pay differentials as described in 79 FR 43722.

Chapter 59, section 5941: Allowances based on living costs and conditions of environment; employees stationed outside continental U.S. or Alaska. Waived to the extent necessary to provide that cost-of-living allowances paid to employees under the demonstration project are paid in accordance with regulations prescribed by the President (as delegated to OPM).

Chapter 75, sections 7501(1), 7511(a)(1)(A)(ii), and 7511(a)(1)(C)(ii): Adverse actions—definitions. Waived to the extent necessary to allow for up to a three-year probationary period and to permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference. Waived to the extent necessary to allow for two-year supervisory probationary periods and to permit re-assignment of supervisors during the probationary period without adverse action procedures for those employees serving in a supervisory probationary period.

Chapter 75, section 7512(3): Adverse actions. Waived to the extent necessary to replace “grade” with “pay band.”

Chapter 75, section 7512(4): Adverse actions. Waived to the extent necessary to provide that adverse action provisions do not apply to (1) reductions in pay due to the removal of a

supervisory or team leader pay adjustment/ differential upon voluntary movement to a non-supervisory or non-team leader position or (2) decreases in the amount of a supervisory or team leader pay adjustment/ differential during the annual review process.

*B. Waivers to Title 5, Code of Federal Regulations*

Part 300-330: Employment (general) other than subpart G of 300. Waived to the extent necessary to allow provisions of the direct hire authorities as described in 79 FR 43722 and 82 FR 29280.

Part 300, sections 300.601 through 605: Time-in-grade restrictions. Waived to eliminate time-in-grade restrictions in the demonstration project.

Part 315, section 315.801(a), 315.801(b)(1), (c), and (e) and 315.802(a) and (b)(1): Probationary period and length of probationary period. Waived to the extent necessary to (1) allow for up to a three-year probationary period and to permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference and (2) to the extent necessary to allow for supervisory probationary periods to permit reassignment during the supervisory probationary period without using adverse action procedures for employees serving a probationary period.

Part 315, section 315.804: Termination of probationers for unsatisfactory performance or conduct. Waived to the extent necessary to reduce a supervisor who fails to successfully complete a supervisory probationary period to a lower grade/band.

Part 315, section 315.805: Termination of probationers for conditions arising before appointment. Waived to the extent necessary to permit termination during the extended probationary period without using adverse procedures.

Part 315, section 315.901 - 315.909: Statutory requirement. Waived to the extent necessary to (1) replace "grade" with "pay band;" (2) establish a two-year supervisory probationary period;

and (3) allow the movement of a newly hired supervisor who fails to meet requirements to a lower grade/band.

Part 316, sections 316.301, 316.303, and 316.304: Term employment. Waived to the extent necessary to allow modified term appointments and Flexible Length and Renewable Term Technical Appointments as described in this FRN and in 82 FR 43339.

Part 332, section 332.401, 332.402 and 332.404: Order of selection from certificates. Waived to the extent necessary to eliminate the requirement for selection using the “Rule of Three” or other procedures to limit recruitment lists.

Part 335, section 335.103: Agency promotion programs. Waived to the extent necessary to extend the length of details and temporary promotions without requiring competitive procedures.

Part 337, section 337.101(a): Rating applicants. Waived to the extent necessary to allow referral without rating when there are 15 or fewer qualified candidates and no qualified preference eligibles.

Part 340, subpart A, subpart B, and subpart C: Other than full-time career employment. These subparts are waived to the extent necessary to allow a Volunteer Emeritus Corps.

Part 359, section 359.705: Pay. Waived to allow demonstration project rules governing pay retention to apply to a former SES or ST placed on an SSTM position.

Part 410, section 410.308(a-e): Training to obtain an academic degree. Waived to the extent necessary to allow provisions described in this FR.

Part 410, section 410.309: Agreements to continue in service. Waived to the extent necessary to allow the ARI Director to determine requirements related to continued service agreements.

Part 430, subpart B: Performance appraisal for GS, prevailing rate, and certain other employees. Waived to the extent necessary to be consistent with the demonstration project’s pay-for-performance system.

Part 432, section 432.102 – 432.106: Performance based reduction in grade and removal actions. Waived to the extent necessary to allow provisions described in the FRN.

Part 511: Classification under the general schedule. Waived to the extent necessary to allow classification provisions outlined in this FR to include the list of issues that are neither appealable nor reviewable, the assignment of series under the project plan to appropriate occupational families; and to allow appeals to be decided by the ARI Director. If the employee is not satisfied with the ARI Director's response to the appeal, he/she may then appeal to the DoD appellate level.

Part 530, subpart C: Special rate schedules for recruitment and retention. Waived in its entirety to allow for staffing supplements, if applicable.

Part 531, subpart B: Determining rate of basic pay. Waived to the extent necessary to allow for pay setting and pay-for-performance under the provisions of the demonstration project.

Part 531, subparts D and E: Within-grade increases and quality step increases. Waived in its entirety.

Part 531, subpart F: Locality-based comparability payments. Waived to the extent necessary to allow (1) demonstration project employees, except employees in Pay Band VI of the E&S occupational family, to be treated as GS employees; and (2) base rates of pay under the demonstration project to be treated as scheduled annual rates of pay.

Part 536: Grade and pay retention. Waived to the extent necessary to (1) replace "grade" with "pay band;" (2) provide that pay retention provisions do not apply to conversions from GS special rates to demonstration project pay, as long as total pay is not reduced, and to reductions in pay due solely to the removal of a supervisory pay adjustment upon voluntarily leaving a supervisory position; (3) allow demonstration project employees to be treated as GS employees; (4) provide that pay retention provisions do not apply to movements to a lower pay band as a result of not receiving the general increase due to an annual performance rating of

“Unacceptable;” (5) provide that an employee on pay retention whose rating of record is “Unacceptable” is not entitled to 50 percent of the amount of the increase in the maximum rate of base pay payable for the pay band of the employee’s position; (6) ensure that for employees of Pay Band VI in the E&S occupational family, pay retention provisions are modified so that no rate established under these provisions may exceed the rate of base pay for GS–15, step 10 (i.e., there is no entitlement to retained rate); and (7) provide that pay retention does not apply to reduction in base pay due solely to the reallocation of demonstration project pay rates in the implementation of a staffing supplement. This waiver applies to ST employees only if they move to a GS-equivalent position within the demonstration project under conditions that trigger entitlement to pay retention.

Part 536, section 536.306(a): Limitation on retained rates. Waived to the extent necessary to allow SSTMs to receive pay retention as described in 79 FR 43727.

Part 550, section 550.703: Definitions. Waived to the extent necessary to modify the definition of “reasonable offer” by replacing “two grade or pay levels” with “one band level” and “grade or pay level” with “band level.”

Part 550, section 550.902: Definitions. Waived to the extent necessary to allow demonstration project employees to be treated as GS employees. This waiver does not apply to employees in Pay Band VI of the E&S occupational family.

Part 575, subparts A, B, C, and D: Recruitment incentives, relocation incentives, retention incentives and supervisory differentials. Waived to the extent necessary to allow (1) employees and positions under the demonstration project covered by pay banding to be treated as employees and positions under the GS system, (2) to allow SSTMs to receive supervisory pay differentials as described in 73 FR 43727, and (3) to allow the Director to pay an offer up to 50 percent of basic pay of either a base pay and/or a cash payment to retain quality employees; and to the extent necessary to allow SSTMs to receive supervisory pay differentials. Criteria for

retention determination and preparing written service agreements will be as prescribed in 5 U.S.C. 5754 and as waived herein.

Part 591, subpart B: Cost-of-living allowance and post differential—Non-foreign Areas. Waived to the extent necessary to allow demonstration project employees to be treated as employees under the GS system.

Part 752, sections 752.101, 752.201, 752.301 and 752.401: Principal statutory requirements and coverage. Waived to the extent necessary to (1) allow for up to a three-year probationary period; (2) permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference; (3) allow for supervisory probationary periods and to permit reassignment during the supervisory probationary period without use of adverse action procedures for those employees serving a probationary period under a supervisory probationary period; (4) replace "grade" with "pay band;" and (5) provide that a reduction in pay band level is not an adverse action if it results from the employee's rate of base pay being exceeded by the minimum rate of base pay for his/ her pay band. Waived to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from GS special rates to demonstration project pay, as long as total pay is not reduced and (2) reductions in pay due to the removal of a supervisory or team leader pay adjustment/ differential upon voluntary movement to a non-supervisory or non-team leader position or decreases in the amount of a supervisory or team leader pay adjustment based on the annual review.

## APPENDIX A: ARI EMPLOYEES BY DUTY LOCATION

[Totals exclude SES and ST]

Duty Location	Employees
Fort Belvoir, VA.....	78
Fort Benning, GA.....	12
Fort Eustis, VA.....	1
Fort Hood TX.....	11
Fort Leavenworth, KS.....	12
Total All Employees	114

## APPENDIX B: OCCUPATIONAL SERIES BY OCCUPATIONAL FAMILY

### I. Engineering & Science (DB)

0180 Psychologist Series

1530 Statistics Series

### II. Business/ Technical (DE)

0301 Miscellaneous Administration and Program Series

0340 Program Management Series

0341 Administrative Officer Series

0343 Management and Program Analysis Series

0560 Budget Analysis Series

1410 Librarian Series

2001 General Supply Series

2210 Information Technology Management Series

### III. General Support (DK)

0303 Miscellaneous Clerk and Assistant Series

0318 Secretary Series

NOTE: Additional occupational series may be added as needed to support mission requirements.

## APPENDIX C: PERFORMANCE ELEMENTS

Each performance element is assigned a minimum weight. The total weight of all elements in a performance plan must equal 100. The supervisor assigns each element a weight represented as a percentage of the 100 in accordance with individual duties/ responsibilities, objectives, and the organization's mission and goals. All employees will be rated against the first four performance elements listed below. Those employees whose duties require team leader responsibilities will be rated on element five. All supervisors will be rated on element six.

### **1. Technical Rigor**

The extent to which an employee applies professional and technical rigor (i.e., knowledge, skills, abilities, and other attributes) to work products and processes. An employee demonstrates technical rigor by producing products that rise to the standards of one's profession or job series. Technical rigor embodies both the quality/accuracy of work produced and the approach used to accomplish the work. Technical rigor also is demonstrated through innovative approaches to technical challenges, technically sound decisions and recommendations, the ability and initiative to recognize and solve technical problems, and the initiative to maintain and improve one's technical skills through professional growth, training, and developmental assignments.

### **2. Interpersonal Effectiveness**

The extent to which an employee is effective in his or her interpersonal interactions with others, promotes a professional and positive work environment, and works effectively with others in group contexts. An employee demonstrates interpersonal effectiveness through treating others with courtesy and respect, communicating information and ideas through verbal and written channels, and understanding how to convey information effectively to different types of audiences. An interpersonally effective employee builds and maintains relationships with others within and outside the organization to accomplish one's work and the goals of the organization.

### **3. Managing Time and Other Resources**

The extent to which an employee effectively manages resources (e.g., time, finances, projects, government assets) and creates efficiencies to accomplish his or her work and achieve objectives. An employee demonstrates effective management of his or her resources by meeting schedules and milestones, prioritizing and balancing tasks, and utilizing and properly controlling resources. Effective resource management also includes adapting to changing requirements, determining and obtaining the resources needed to complete a task/project, and creating or implementing new ideas to improve work efficiencies.

#### **4. Driving Organizational Success**

The extent to which an employee effectively understands, contributes to, and promotes the effective performance of ARI's mission within the Army S&T enterprise. An employee demonstrates effective performance in this element by understanding his or her internal and external stakeholder's needs and being responsive to the needs of the organization and relevant stakeholders. Additionally, an employee can help drive the success of the organization by lending his or her expertise to coworkers, management, organizational efforts, and Army initiatives.

#### **5. Team Leadership**

The extent to which a Team Leader guides a team to produce plans and products in alignment with the organization and unit's strategic plan, mission, and vision. An effective Team Leader communicates the organization and unit's strategic vision to his/her team and helps translate strategic vision into meaningful actions at the team member level. Team leaders are responsible for proactively identifying new projects, tasks, and actions collaboratively to enable the unit to accomplish its mission. An effective Team Leader also ensures both the quality and timeliness of team member work by monitoring and coordinating team activities. A Team Leader will resolve simple, informal complaints of team members and inform the supervisor of any performance management issues and/or problems. (This performance element is mandatory for all non-supervisory Team Leaders, but can be used also for an employee who is temporarily

assigned to lead a large-scale project and team commensurate with work performed by a Team Leader.)

## **6. Supervision and EEO**

The extent to which a supervisor leads, manages, plans, communicates, and assures implementation of strategic/operational goals and objectives of the organization. An effective supervisor manages and monitors employee performance by developing employee performance objectives and communicating performance expectations, evaluating employee performance, providing timely feedback, and recognizing exceptional performance throughout the performance period. An effective supervisor develops and sustains a positive unit climate and professional work environment. An effective supervisor also develops and grows the skills of his or her employees by ensuring employees complete training requirements, providing developmental tasks and activities, and maintaining a technically challenging work environment. Effective supervision and leadership also require proactive action to recruit and staff the unit with employees who possess the potential to perform well. Importantly, an effective supervisor is one who adheres to EEO and Merit principles, creates a physically safe work environment, and ensures proper management controls to prevent fraud, waste, or abuse. (Mandatory for managers/supervisors.)

Dated: November 20, 2020.

Aaron T. Siegel,

Alternate OSD Federal Register

Liaison Officer, Department of Defense.